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This Month's Cover

PORTLAND, MAINE

Old sailing ships and steamers ride together in the view of Portland, Me., in 1855, reproduced on the front cover. The scene was painted by J. W. Hill and lithographed by Charles Parsons. Cape Elizabeth appears in the foreground; this is the Fore River, near its entrance into Casco Bay. Portland in 1855 was a city of about 27,000. . . . This print from the Phelps Stokes Collection appears through the courtesy of the New York Public Library. . . . The heart of the present city was early known by its Indian name Machegonne. It was first settled in 1632 by George Cleaves and Richard Tucker. When it came under the jurisdiction of Massachusetts in 1658 the settlement was included in the town of Falmouth and was popularly called Falmouth Neck. In 1676 and again in 1690 it was laid waste by Indians, but it was permanently established in 1716-1719. Seventy years later Falmouth Neck was incorporated as the town of Portland. The first Maine legislature met there in 1820, and for twelve years it was the State capital. . . . Famous Portland resident in the nineteenth century was Henry Wadsworth Longfellow, whose house has become a part of the library of the Maine Historical Society. . . . Contemporary Portland (above), 1933 population 71,000, is Maine's foremost city in commerce and industry; retail sales in 1935 were about \$37,000,000, wholesale volume, \$50,000,000, and manufacturing output, \$22,000,000. Among its industries are shipbuilding, lumber, engines, stoves, and foundry and machine shop products.

Bus. Adm.

DUN'S REVIEW
for
JANUARY, 1940



HARRIS & EWING



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¶ For those interested in the prints of century-old cities appearing on the covers of DUN'S REVIEW, the publishers have arranged to provide mounted copies suitable for framing. Not all back numbers are available. Orders for copies of prints on current issues should be placed promptly, accompanied by check or money order. For prints set off by a French mat

13½ x 14¾ inches ready for framing the charge is \$1. For prints mounted and framed, with glass, the charge is \$3. If in New York City, add 2 per cent sales tax. . . . ¶ Information about subscription rates will be found on page 49. . . . ¶ Second cover photograph, Fairchild Aerial Surveys, Inc. Frontispiece illustration, Kennedy & Company. . . . Printed in U. S. A.



————— K. Miller



Dun & Bradstreet, Inc. *The Mercantile Agency*

A Forecast about Forecasts

At the close of each year it seems to be second nature to go over the events of the year just ending and to speculate about the new year.

At this time this year I am more impressed than ever before with the fact that the fundamental changes which have taken place in our economic, political and social structure will have even greater permanent effect on our mercantile system than we had anticipated.

For previous to this year we had only limited experience to go by and we were unable to determine the full consequences of these changes.

When we have fully absorbed these new factors in our calculations—for they are permanent in principle irrespective of the modifications which may be made in detail or administration—we should progress to a plane of development and stabilization in this country which has not been approximated in the past.

Unquestionably, the greatest progress during the past few years has been the growth of the social consciousness of our people, who having attained this state of mind will not revert to the attitude, because of its generalization, which existed in the past.

Relief which was absolutely essential for the unemployed had to be administered without delay in the early thirties, and that program has been largely responsible for subsequent measures, excepting those having to do with the securities market, agricultural problems and our foreign policy, which have penetrated so deeply into both the individual and all mercantile life of this country.

Changes will be made in what has been done in that respect, which, while not necessarily lightening the tax burden for the time being, will lead to the formulation of categories of relief in keeping with the justification of the need.

For it seems obvious that there should be categories into which the unemployed should be classified and that the amounts distributed to each of the unemployed groups should be determined by factual information based upon legislative formulae and not left to the discretion of individuals who may be subject to political or emotional influences.

It is a platitude to point out that the mere existence of relief on the present comprehensive scale without the most efficient administration, has led and will continue to lead to an irresponsibility on the part of hundreds of thousands of the marginal recipients which will undermine one of the most essential incentives to the progress of the individual.

As the relief of those in need is the crux of the financial problems of the Government and of business, until that subject is solved satisfactorily the political thinking of the people of this country will remain confused and warped by political pressures.

And that solution may ultimately come through the coordination of Industries and Trades in Guilds, not dissimilar to those of the 16th Century, which will synchronize the activities of management,

shareholders, employees and labor, reflecting a new consciousness of the public interest with due regard to the legislation enacted to define the scope of collective activities.

The customary forecasts of the '20s, both as to the source and the type, are noticeably absent at the present time and new approaches are cautiously made by an entirely different class of men.

Positive assertions seem a thing of the past and prognostications as to what may occur in 1940 are so qualified by factors which were not even considered in the '20s that the basis for forecasting is largely supported by selected data subject to the interpretation of those following particular authorities.

But it seems entirely probable that within the next year or two methods of forecasting based upon deductions drawn from factual information which is now available or may be obtainable with reasonable effort, weighed with a precision unknown in the past, will serve as dependable guides indicating the course of business activity in this country.

For there are sources of information available today and an entirely new conception of the utility of data, which as yet has not been given adequate weight because of insufficient appreciation of its value on the part of men who are trained, but who have not had the practical business experience required in combination with their mental and educational equipment.

For instance, until very recently accurate knowledge of inventories by Industries could not be obtained and the relative weight has not even as yet been given to firm commitments, which are the irrevocable forerunners of inventories. The value of the knowledge of commitments has not been recognized or properly appraised.

During the coming years these and other absolutely essential factors will be brought into the completed statistical picture, which will be as different from the existing forecasts as the motion picture is to the snapshot, for forecasts must portray a moving trend and not a static condition.

And that basis of reasoning will become a vital part of the projections compiled not annually but currently throughout the course of the business year.

But the most important single factor which should enter into the calculations of the American people during 1940 is not necessarily the domestic conditions but the situation abroad. For irrespective of our sentimental attitude toward the belligerent countries, the question before the American people is—

"What will the position of this country be in event, that the war is won by

(a) The Democracies or (b) by the Totalitarian Governments?"

For the totalitarian countries are aggressively moving both in Europe and in Asia, which touch so vitally both our Atlantic and our Pacific seacoasts, with our most vulnerable approach through an economic or military penetration by way of Latin America.

If that factor were eliminated in our consideration of 1940, irrespective of the serious problems which confront us domestically including the Election, this country would go forward with slight hesitation for several years with a moderate increase in volume from year to year as long delayed replacements and developments of new projects absorbed our unemployed and dormant capital funds.

But irrespective of all of these provisos, the American people have the stamina and the resources, and apparently a new determination from which the defeatist attitude seems almost entirely to have been obliterated, to concentrate their unsurpassed energy and ingenuity in working out our domestic problems as has not been evident for years in the past.

And when that state of mind exists in America—business progresses.

January, 1940


PRESIDENT, DUN & BRADSTREET, INC.



SPECTROGRAMS OF METALS, WESTINGHOUSE RESEARCH LABORATORIES—GENDREAU PHOTO

MAKING MORE JOBS

CLARENCE FRANCIS

President, General Foods Corporation

(Written in collaboration with Arthur H. Little)

AS A FIRST step in a study of how industry can help solve America's problem of unemployment, let's decide just what we mean by industry. We throw out the loose thinking that defines *industry* as "Big

Business," and then goes on to blame such business for our economic ills and to demand that it concoct and put into effect suddenly some economic panacea.

For, focusing more sharply, we see that by *industry* we mean neither big business nor all business, but merely the manufacturing part of American enterprise. Then let us confine our suggested remedies to those fields in which industry is involved. Thereby we should be better able to keep our feet on the ground and fit something practical into the broad national picture.

As a second step, within the American framework, we must stick to the principles of individual initiative

Here a man well known in and beyond his own industry examines the possibilities of increased employment—within the framework of individual initiative and by constant attention to price policies and new developments in research. This is one of a series of articles on subjects of importance to business, presenting the opinions of men whose backgrounds have created decided, and often conflicting, points of view.

and competitive enterprise. Within that framework, we can and will solve our problem.

Anyone can find in business itself and in the rules and regulations under which we work certain features which are

less than perfect. Individually we hold opinions for or against the tactics of our competitors; and individually we may like or dislike certain legislative trends. But to conclude that, either in our business or in our law, we have sown the seeds of our system's destruction is to ignore American history and to discount American character.

Common sense concedes that competition calls for rules. But common sense insists that regulation stop short of authorizing the referee to call the signals.

Common sense also has come to concede that until business itself can do more to moderate the peaks and valleys of its operations and help to create *more* work,

one of the jobs of government will be to help take up the employment slack from time to time. But common sense insists that emergency-created public works be financed, not out of funds collected or borrowed in times of depression, but out of reserves created in times of prosperity. Otherwise the foundations on which industry rests are imperiled.

On its own account, industry will be the better for a session of taking stock of itself. In recent years we have come a long way. Until rather recent decades, industry knew but one objective—to make a profit. Today management would be blind indeed not to see that its responsibility runs three ways: not only to stockholders, but also to employees and to the public.

In each of these three directions, management's line of responsibility runs into a vacuum—with a suction that, unchecked, would drain a business dry. For a minimum of investment, the stockholder wants a maximum of dividend. For a minimum of labor, the employee wants a maximum of pay. For a minimum of price, the public—the consumer—wants a maximum of quantity and quality.

MANAGEMENT's job increasingly becomes a task of balancing the emphasis; and increasingly, during the past generation, management's emphasis has been shifting from its first line of responsibility to its second and to its third. And here we see the working of a policy of enlightened self interest.

If in every enterprise the management and stockholders can be convinced—and in many they have been so convinced—that their interests are best served when their enterprise is doing whatever it reasonably can to spread and increase purchasing power, then we shall have gone a long way toward re-employing the several million American employables now out of work. For then we shall have brought to bear the most potent implement within our reach—the implement of price.

In competitive situations the supposed rigidity of prices is often more theoretical than real. Many prices are flexible enough so that savings in manufacturing costs can be and are passed along to the consumers. Even in times of depression, some manufacturing concerns can follow such a course and provide a proper wage-scale to employees and an improved return to stockholders, due to increased sales and earnings.

In this past decade of hard times for business, some enterprises were in a position to achieve this goal. Of course, part of their improvement was due to new and better products or services—a basic factor in successful management.

Some manufacturers cannot further reduce prices without disaster. But some might safely do more experimenting to determine whether a lower price would increase sales enough to yield larger total earnings.

The price yielding the maximum return depends on many factors which may constantly change. But arriving at such a price has tremendous advantages



CORN SYRUP, COFFEE, AND TOWN FINANCES

BORN in Port Richmond, Staten Island, N. Y., in 1888, Clarence Francis attended Curtis High School there and entered Amherst College in 1906. In 1910 he was employed by the sales department of the Corn Products Refining Company and in 1914 became district manager in Detroit. In 1919 he became cereal sales manager of the Ralston Purina Company in St. Louis.

In 1924 Mr. Francis was appointed domestic sales manager of the Postum Cereal Company, the nucleus around which General Foods Corporation was formed. Soon afterward he was chosen vice-president and then president of Post Products Company, the office he held until he became vice-president in charge of sales of General Foods in 1929. From 1931 to 1935 he served as executive vice-president of the corporation, when he became president.

An active member of the Associated Grocery Manufacturers of America, Mr. Francis served as president in 1931 and subsequently as a director. In 1933 he was an industrial advisor to the NRA. In January, 1937, he was made vice-chairman of the Business Advisory Council, United States Department of Commerce. In Bronxville, N. Y., where he takes an active part in community affairs, he is a town trustee and commissioner of finance.

both for the individual manufacturer and for the many interests dependent upon him.

There is a natural human inertia for letting things alone when a business seems to be going along fairly well. Under such conditions it is natural not to keep probing the price structure. But it has become one of the responsibilities of modern business management to go into this price subject continuously and exhaustively, from every angle.

Suppose an item now sells for 50 cents and a million units are sold each year with total earnings of, say, \$25,000. Now suppose the manufacturer finds by experiment that a price reduction to 40 cents increases the volume greatly, reduces unit costs, adds to employment, and yields \$30,000 total earnings.

Provided the cost of additional capital required for the increased business is amply covered by the increased earnings, progress has been made in the public's interest by the use of this technique.

Now to that bugbear of the alarmists, technological change. In a factory, a new machine—a labor-saving, cost-saving device—replaces four workmen. The alarmists see, just ahead, the end of the world. Let the process continue, they say, and soon all men, except the handful required to operate automatic machinery, will be out of work.

Admittedly those four displaced workers become an immediate problem, a problem that can and must be

solved by development of new products and services and increased activity resulting from greater public purchasing power.

In America, technological improvement has moved farther than in any nation on earth. And in America, despite its troubles, technological change has produced a greater amount of advantages than can be found in any other leading nation.

To show how technological progress in one American industry has affected other industries large and small, we need but think of the group producing the nation's motor vehicles, with moderate prices and improved quality. Technological progress within the automotive industry has resulted in efficient cars and trucks not only for millions of individuals, but also for manufacturers, wholesalers, retailers, and a thousand and one businesses, some of which, without motor transportation, scarcely could operate at all.

Indirectly the automotive industry has created another business at least as large as itself. That business, huge and widespread, is the servicing of motor vehicles—repairing and greasing them and filling their fuel tanks with gasoline and their crankcases with oil.

To the man who sees in technological progress the end of American jobs, I commend a study of the oil-and-gas-and-tire business and the army of men it employs. And to the business man who worries about technological change and its economic effects in his own enterprise, I urge: Don't worry about it. Join it!

These, then, are major forces already at work, forces to which management may well devote much attention. Socially-minded modern management, when able to do so, pushes programs that make more goods available to more buyers, that increase volume and create new jobs. And the technicians grind and hone, streamline and superfinish, to create new savings to pass along to the public, with more sales, jobs, and earnings as the goal.

Already at work, these forces have acquired momentum; but such momentum calls for exceedingly careful direction.

Within every industrial enterprise in America, management must study, deeply and seriously, every policy, every detail of policy that, by smoothing the peaks and valleys in the sales curve, will tend to make production steadier and

PACKAGING RESEARCH LABORATORY, REYNOLDS METALS COMPANY, INC.—PHOTO BY EWING GALLOWAY



thus will tend also to stabilize national employment.

To make jobs steadier is one of the tasks for managements producing consumer goods. Seasonal highs and lows in consumer goods are reflected in industries that produce heavy goods. Until the consumer-goods industry, by diversifying its products, by adding to its lines items that will sell in off seasons—until the consumer-goods industry, by any one of many available methods, levels out *its* production trend line—the job curve in the heavy-goods industry still will climb mountains and fall into chasms.

Steadier employment becomes a job for many executives who may feel that they live and move, not in the forefront of business, but somewhere in an unexciting background. For example, it has become a job for those who concern themselves with such internal matters as incentive plans and work-measurement and job-analysis—and employment!

It has become a task, and a vital one, for the directors of personnel. They know the story. They know the facts. They know the figures. With their facts, figures, statistics, and charts, let personnel directors urge their managements, nag their managements if need be, into an awareness that if jobs are to be stabilized and increased in number management must do some extra thinking and acting.

Before any nation-wide, industrial program for increasing employment there loom certain lofty obstacles that no amount of industrial study or energy would seem adequate to surmount. In addition to political deterrents, we hear, for example, of obstacles erected by labor; and to many an executive those deterrents would seem to be enough to stop all progress. Just as industry studies its market and adapts its products, its packages, and its prices to demand, so labor can find how to analyze and merchandise itself so as to broaden, strengthen, and stabilize *its* production—and thus to contribute, as enlightened management is trying to do, to the comfort, prosperity, and security of the people.

As we approach our problem—the job problem as a whole—I see no hope for a frontal attack, for a *blitzkrieg* stroke that, in a week or a month or a year, would conquer and consolidate every salient. But there is encouragement in these two facts: (1) we know some of the directions in which we can move; and (2) we know that move we must.

Finally, then, the future and what it holds—

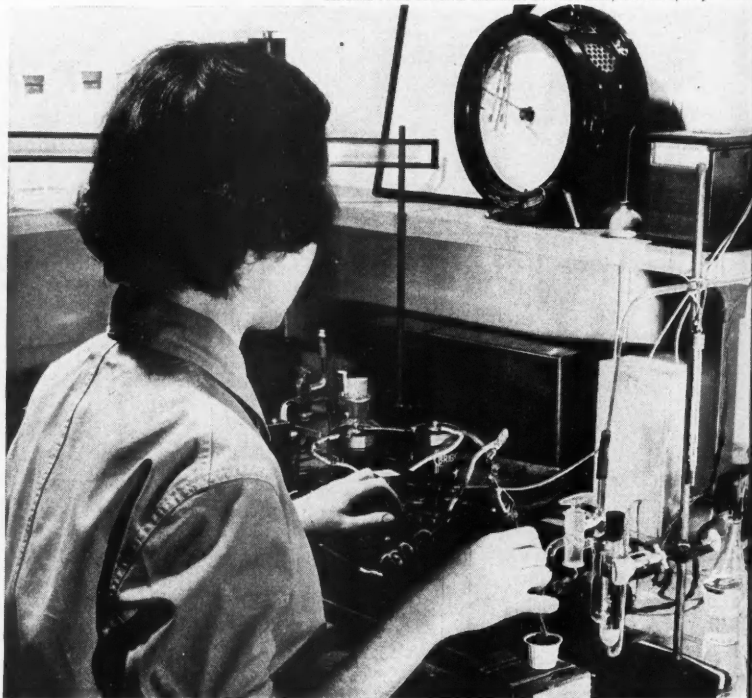
I pin my faith on research. In many a manufacturing business, there appears a successful specialty. Competition develops and the specialty may get to be something rather commonplace—something like a commodity. But if management is wise it seeks to keep the specialty constantly renewed with new service and new appeals. In America today, in hundreds of industrial laboratories, new products, new services, new implements of living, grow on the draftsman's drawing board.

A GENERATION ago, we laughed at the motor car. We'd be amazed, but we probably wouldn't laugh now, if we knew what's in the minds of the research engineers.

A generation ago, we who remembered our high school physics and who knew that action-at-a-distance had been as expressly forbidden by nature as was perpetual motion, would have scoffed at radio. Today, in weird and wonderful workshops where electrons are tossed around as casually as if they were beans or bolts or boots, young tech-school graduates are at work on creations whose import, if we could grasp it, might knock our hats off. There are the miraculous commonplaces of tomorrow.

In fact, today's dreams realized in the future should be able to provide work for all the hands that the future's populace will muster.

GENERAL FOODS CENTRAL RESEARCH LABORATORIES, HOBOKEN, N. J.—PHOTO



PROFITS AND DIVIDENDS: BIG BUSINESS *vs.* SMALL

*Fourth in a Series of Articles Analyzing Conflicting Testimony on
the Extent and Character of Concentration in American Industry*

EDWIN B. GEORGE

Economist
DUN & BRADSTREET, INC.

and

ROBERT L. TEBEAU

Research and Statistical Division
DUN & BRADSTREET, INC.

BRAVELY if cautiously, the previous article¹ came to grips with the question of how Big Business got big. The answer to this query was assumed to have great importance for three reasons. First, a laying out of the common means of growth would throw some light on the issue of "inevitability"—a word sometimes used as a vague and peaceful means of waving the whole controversy aside. Second, if business did not "get big" but had to do it in particular ways, the friends and enemies of bigness could get on with their feud with the war zone more clearly defined. And finally, if the public should at length decide that something ought to be done to impede further concentration, attention could be more easily centered on ways and means.

It was observed that concentration might be furthered by three devices: resort to capital markets, merger, and reinvestment of earnings. With due regard for such countervailing considerations as that small concerns also merge, and that the eternal outcrop-



"THE WELDER," BY OTTO KUEHLER—COURTESY OF KENNEDY & COMPANY

ping of small new businesses embodies an unrecorded species of financing, it seemed fairly evident that the first two of these devices have been adding more cubits to the stature of already mature giants than to that of corporate adolescents. As the battle shifts into the sector of relative earnings and disbursements, fireside strategists will have more use for their maps and pins. The terrain is more heavily mined with unknown quantities, and fatalities are becoming severe among even seasoned arguments and assumptions. This series of articles has tried to be dispassionate, but the current engagement seems actually to call for a war correspondent rather than a statistician.

Earnings and disbursements are in

evitably bracketed, insofar as the relative growth issue is concerned. The most airtight evidence that corporations of a particular size normally reinvest a much heavier share of earnings than their adversaries would have little significance if the earnings themselves were not of a size to command respect.

The disbursement aspect will be taken up first. The significance of the issue is of course that whoever reinvests the more and disburses the less has the better chance of becoming bigger, insofar as this particular means of growth is concerned. By way of introduction it can be shown positively that the reinvestments of small and middle-sized corporations as compared with large are (a) smaller and (b) larger.

A great deal of respectable evidence testifies that large corporations return a larger proportion of their profits to stockholders than do small, which would mean that they reinvest less. Professor W. L. Crum called attention to the relative frugality of the small corporation in an article published in 1936 on the probable incidence of the undistributed profits tax.²

The Twentieth Century Fund agreed one year later that "larger corporations

² "Statistics of Income Show Gross Inequalities Under Proposed Tax Revision," *The Annalist*, May 1, 1936.

pay more liberal dividends."³ The basis for the conclusions of both these studies had been supplied by corporate income tax figures for the years 1931 to 1933 as published by the Treasury Department. Figures for the next three years, since made available, confirm those conclusions with remarkable uniformity. In table I is shown for all profitable corporations the percentage of profits distributed in the form of dividends for the years 1931 through 1936.

("Profits," as used here, is the figure defined in the footnote in the table on this page. Some authorities quoted in this article have used other concepts of profits. However, for the purpose at hand, which is to discover differences in earnings and distribution of them according to size of corporation, the selection of a definition of profits is not of primary importance, since size differences apparent under one definition seem to persist under the others.)

The almost uniform tendency for dividend disbursements to be relatively more liberal among the larger corporations than among the smaller is found likewise when financial corporations are excluded from the computations and again when only manufacturing corporations are considered. Even among unprofitable corporations, dividends were found to constitute a larger percentage of net loss among the large than among the small. It may be preferable to compare the dividends of the unprofitable groups with the net worth or total assets of those groups, because the losses of the large, as will be shown later, are relatively less severe than those of the small. But even on these bases dividends of little losers are in general less generous than those of the large.

Unfortunately the Treasury *Statistics of Income* were not published in a form permitting this type of computation before 1931. It is therefore impossible to carry this particular record of dividend behavior by size over a complete turn of the business cycle. Certain other evidence is available, however, from

which confirmatory inferences may be drawn. A study which one of the writers made two years ago in collaboration with Willard L. Thorp⁴ found half of a group of 104 small corporations (capital and surplus below \$200,000) reporting that from 1920 to 1928 they had distributed no dividends or practically none, and only 28 per cent of them distributing more than half of their earnings. Against this performance the 114 largest corporations in the sample (capital and surplus over \$1,000,000) reported that during the same period only 7 per cent had made no significant distribution, and that 57 per cent had distributed over half their earnings.

Same Trend

The same tendency was evident, though not so markedly, in 1936, the first year of the original undistributed profits tax. Of the 130 smallest corporations, 29 per cent distributed no dividends or practically none, as compared with 8 per cent of the 154 largest; four-fifths of the largest distributed over half of their earnings, as against three-fifths of the smallest.

⁴ Willard L. Thorp and Edwin B. George, "An Appraisal of the Undistributed Profits Tax," *DUN'S REVIEW*, September, 1937.

The weaknesses of these figures for the purpose in hand are first, that the group is made up of concerns which had had a continuous existence at least from 1920 to 1937 (when the survey was made) and had therefore reached a ripe old age, as business mortality goes; and second, that a lower limit of \$1,000,000 capital-and-surplus does not exactly yield a blinding revelation of what happens to big business in days like these. However the sample does include both profitable and unprofitable concerns, and at its own level supports the hypothesis suggested by the government data.

Certain points should be kept in mind in any discussion of the savings issue. First, formal dividend records make no allowance for the fact that small companies pay proportionately higher salaries than do large, and some of the close type particularly are more likely to disburse earnings in the form of salaries to owner-managers than as formal dividends. John C. Baker, of Harvard, found that in the period 1928 to 1936, large corporations (assets over \$100,000,000) paid in dividends fourteen times as much as they paid in executive salaries, while for smaller companies (assets under \$10,000,000) the

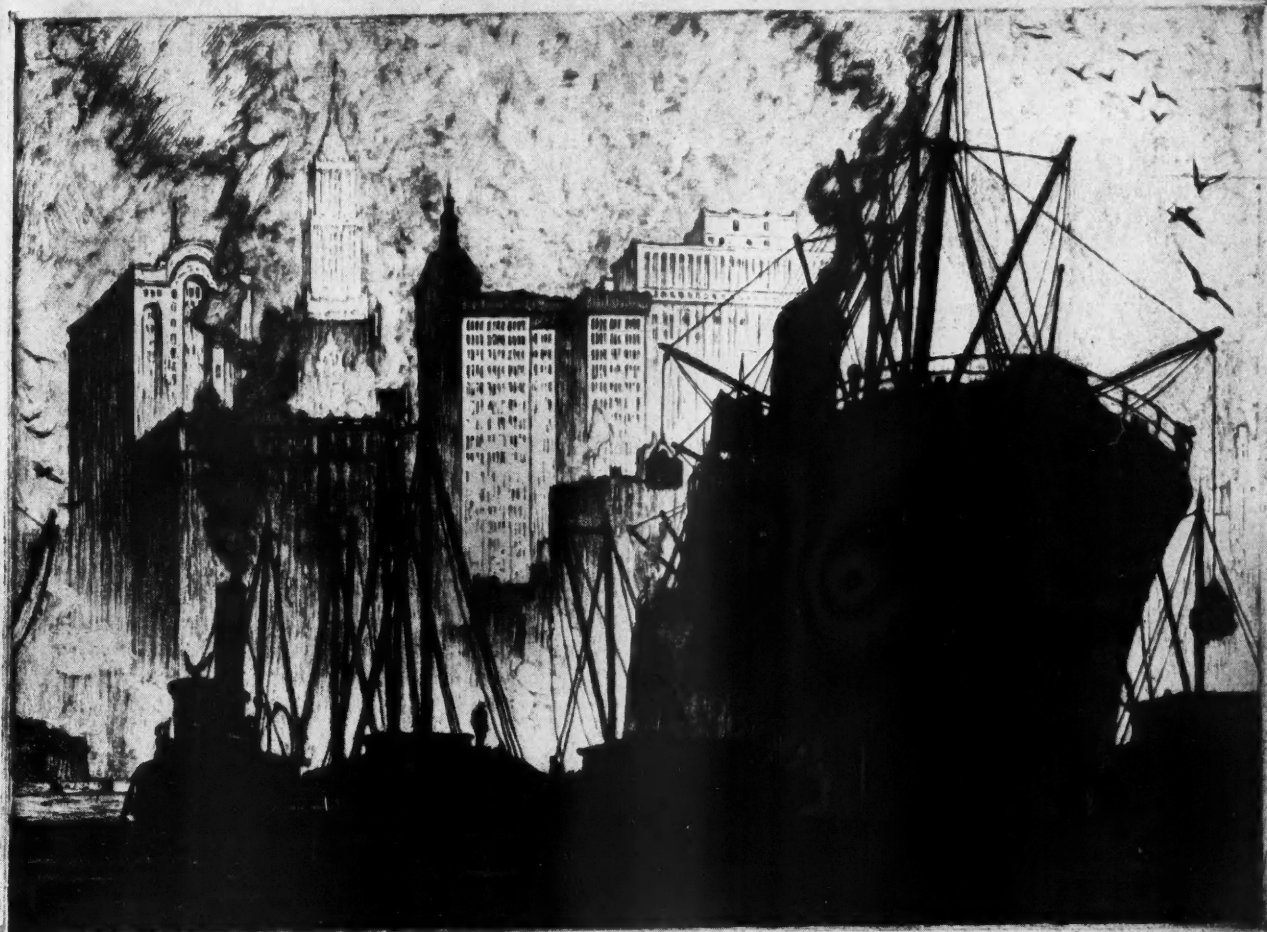
I. PROPORTION OF EARNINGS* PAID OUT AS CASH DIVIDENDS BY PROFITABLE CORPORATIONS IN NINE SIZE GROUPS, 1931-1936

(All profitable corporations submitting balance sheets; Statistics of Income, United States Bureau of Internal Revenue)

SIZE GROUPS Thousands of Dollars of Assets	PER CENT OF EARNINGS PAID OUT					
	1931	1932	1933	1934	1935	1936
Under 50	42.7	60.1	36.0	58.0	43.6	64.2
50 to 100	52.2	68.5	33.5	42.9	48.0	71.6
100 to 250	60.9	68.4	38.6	47.4	51.5	76.2
250 to 500	67.9	71.2	38.7	54.5	55.5	77.3
500 to 1,000	73.6	73.9	43.5	65.1	65.3	74.2
1,000 to 5,000	78.5	79.2	52.9	74.2	71.8	74.1
5,000 to 10,000	86.1	87.4	60.6	71.5	79.5	77.7
10,000 to 50,000	88.9	92.4	77.8	96.5	92.0	84.4
50,000 and over	103.7	108.9	102.5	86.1	80.2	95.1
ALL CORPORATIONS	90.4	95.7	76.0	79.7	77.0	84.9

* The figure reported in *Statistics of Income* as "compiled net profit less total tax." It differs from the *Statistics of Income* figure for "net income" in that it is arrived at by deducting Federal taxes not previously deducted and by including the non-taxable income items of dividends received and tax-exempt interest.

³ *How Profitable Is Big Business?*, 1937, p. 161.



"THE BIG FREIGHTER," BY MARTIN LEWIS—COURTESY OF KENNEDY & COMPANY

ratio was less than two and one-half to one.⁵

Second is the question of how typical the average disbursement of a medley of corporations in an arbitrary size bracket may be for all the corporations in that bracket. Experience with the DUN & BRADSTREET Undistributed Profits Tax Survey indicated that for each size class, returns were scattered widely over the scale from zero to 100 per cent to such an extent that it was decided to show the disbursement behavior of different size classes by frequency diagrams rather than by aver-

ages. "Typical" disbursement ratios therefore are probably indicative of no more than a broad general tendency, and are not closely typical of a large share of the items which they are supposed to represent.

The third point to be recognized concerns the causes behind these size differences in dividend policies. Small corporations are commonly considered more "thrifty" or more "prudent" in their greater tendency to plow back earnings. Actually, the plow may be pushed principally by economic biology.

Consider the traditional way in which differently-sized corporations

grow. Big business has access to the capital markets, and when necessary, can float stock or bond issues to be sold to the public. But to keep its securities, especially its stocks, attractive to potential buyers, the big corporation must give them an investment status, a record of yield in the form of dividends. Hence its higher ratio of dividend disbursements. The small corporation, on the other hand, finds it more difficult to interest investment bankers in its stocks or obligations. Consequently it is reduced, if it wishes to expand, to the use of reinvested profits, a device upon which the large corporation is not so dependent.

⁵ "Executive Compensation," DUN'S REVIEW, November, 1939.



"IRON MEN," BY A. PUGLIESE—COURTESY OF KENNEDY & COMPANY

Nevertheless, from the evidence thus far offered, one would swear that the giants were all but disbursing themselves into the lower brackets, and that the pygmies were making grim and effective use of this sole remaining means open to them of becoming giants. Thus might the latter's advantage of easy access to new money and of casual marriage be overcome and the concentration trend be either reversed or slowed. Into such finality it must come as somewhat of a shock

to learn that even such apparently impregnable evidence fails to stand up in a "total" statistical war.

Dr. Gardiner Means was able to write flatly in 1932 that "the big companies as a group save a larger proportion of their net income" than do the small.⁶ He produced figures to show that during the period 1922 to 1927, 108 of the 200 largest corporations (all for which consolidated state-

⁶ Adolf A. Berle, Jr., and Gardiner C. Means, *The Modern Corporation and Private Property*, The Macmillan Company, 1932, p. 41.

ments could be obtained throughout all the years in question) saved 38.5 per cent of their net income available for dividends, whereas in the same period all corporations combined had saved (according to *Statistics of Income*) only 29.4 per cent of their net income. Assuming the correctness of these figures, the last hope of the non-giants seems to be dashed.

This finding is not irreconcilable with table I. That table gave dividend ratios of profitable corporations only, and the DUN & BRADSTREET study was dominated by profitable corporations. Dr. Means' computations included both profitable and unprofitable companies. The figure he used for income of each group available for savings or dividends was arrived at by subtracting the losses of the unprofitable corporations from the earnings of the profitable; savings were computed in turn by deducting from this net income the disbursements of both winners and losers. Figured on this basis, whichever group had the larger losses as an offset to its profits would be shortening its denominator and thereby appear to have been correspondingly more liberal in its dividend policies. That doubtful honor was easily carried off by the "all corporations" group.

Vast Turnover

As of explanatory interest, to say that profitable small and middle-sized corporations reinvest more of their earnings than the large while, when lumped with their unprofitable fellow-travellers, they reinvest less—or perhaps even have no group earnings at all to reinvest—to say both of these things draws attention to the character of the losses by which all these individual policies are set at naught. The presumption is that they are principally a symbol of the vast turnover of enterprise that is well known to characterize small business activity.

A study of business mortality in three mid-western cities over the period

1926-1930⁷ estimated the length of life of business firms with net worth under \$2,000 at 5.2 years, compared with a 33.2-year average life-span for firms above \$500,000. Every year new thousands of entrepreneurs enter the business lists and every year thousands of them are overthrown, although according to testimony received by the Temporary National Economic Committee there is a net of survivors.⁸

It seems probable that many of the losses that have set up the disturbing incongruity of this particular record are the forerunners of business death or disappearance. (In part, as will later be seen, they may be the result of statistical eccentricities.) But the intriguing fact is that the places of the fallen are always filled and this is almost as true of their capital as it is of their physical numbers. It is true that in a number of industries and trades the gloomy explanation is that more people are dividing a smaller share of the total business, but that is another riddle and "monopoly" is hardly a satisfactory answer to it. Who is taking it away from them as a class, and why, and whether the ultimate consequences will be good or bad, comprise a probably much more important study than "bigness" in the abstract.

There may be something a little unrealistic, from the standpoint of business dynamics, although not from that of concentration, about comparing the losses of all the large with those of all the small. In fact, there is no clear-cut life span for either of them. When the large fail they are likely to be reorganized and when the small fail they are certain to be replaced. Presumably the replacement of the small is in the category of new financing, and should be regarded as a partial offset to the heavy capital financing that on the public record must be credited to the titans. But this comparison there is no way of making, so that the reason-

ing must end on an uncertain note, as follows: Individual small enterprises which have earnings reinvest more of these earnings than do large; collectively they reinvest less because of the losses of their weaker members; those weaker members however are constantly being replaced, which somewhat smudges the evidence by mixing the savings issue with the financing.

Disregarding the smudge, however, which has already been recognized and partially scrubbed away in the analysis of corporation financing, the total evidence on corporative savings leans definitely in the direction of further concentration. The fact that money-makers among the small save relatively more than their counterparts among the large is of no avail in stemming the tide. They are merely in the position of making more first downs but losing on the final score. Their efforts are unhappily nullified by the ground lost by the second team.

Profitability

No less easily disposed of is the question of relative profitability, in spite of the many careful studies that have been made. One of the most detailed investigations was that by the Twentieth Century Fund,⁹ in which it was shown that in 1931, 1932 and 1933 at least, the largest corporations were on the whole the most profitable, where profitability was measured by the ratio of total costs to gross income.

Under another concept of profitability, however, the picture underwent a distinct change. Measured by net income on net worth, and by total profit on total capitalization (*i.e.*, adding interest paid to net income and borrowed capital to net worth) "large corporations that made profits made them at lower rates than small ones, while large corporations that lost money lost at lower rates than small ones." But when both profitable and unprofitable were considered together, profitability varied directly and uniformly with size. In fact only the

largest corporations as a class had a net profit in any of the three years; all other size classes showed net deficits.

Writing some years earlier,¹⁰ Professor Crum had reached similar, but only tentative conclusions, since they were based only on the depression year of 1931. Principally he found that the largest corporations had the highest ratio of income to receipts, and that on the basis of net worth, the smallest had by far the most severe losses.

Four years later he was able to confirm and add to these conclusions on the basis of income tax statistics covering the five years 1931 to 1935.¹¹ His major conclusions were similar to certain of those of the Twentieth Century Fund: that the "rate of return on equity" was highest for the profitable small concerns, and lowest for the profitable large, that the rate of loss was likewise highest for the small concerns and lowest for the large, and that where both winners and losers were combined, the net rate of return on equity was highest for the large and lowest for the small.

In both of these studies, however, Professor Crum took the important precaution of qualifying his conclusions with the statement that "differences in earnings experience among the size classes might reflect differences among industries rather than a significant correlation between size and earning power."

The Treasury Department published in its 1919 *Statistics of Income* a tabulation of net income of corporations arranged according to amount of invested capital,¹² from which it can be inferred that in this particular at least, corporate tendencies are no different now from those of twenty years ago. The smallest class of 1919's profitable corporations (invested capital under \$500) reported net income equal to 383 per cent of their invested capital.

⁷ *The Effect of Size on Corporate Earnings and Condition*, Harvard University Graduate School of Business Administration, June, 1934.

⁸ "Earning Power with Respect to the Size of Corporations," *Harvard Business Review*, Autumn, 1938.

⁹ The Twentieth Century Fund's *How Profitable Is Big Business?* carried a table of data computed from this Treasury compilation.

¹⁰ *Mortality of Business Firms in Minneapolis, St. Paul, and Duluth, 1926-1930*, Ernest A. Heilman, The University of Minnesota Press, May, 1933.

¹¹ Dr. Willard L. Thorp testified on December 2, 1938, that since 1900 there have been more new than disappearing enterprises except in 1917 and the years 1930 to 1933.

¹² *How Profitable Is Big Business?*

The largest corporations (invested capital over \$100,000,000) earned less than 10 per cent. The progression between these extremes was steady.

Other studies of relative profits have been made, but before *Statistics of Income* included size breakdowns, students attacking the problem had to face the awesome task of obtaining a representative sample. The diversity of the results obtained by different analysts makes one suspicious that hidden within the over-all data are cross currents turbulent enough to make generalizations on the basis of the over-all data misleading, to say the least.

Dr. Ralph C. Epstein, working at the National Bureau of Economic Research, made a detailed analysis of corporate profits¹³ and reported (in the section on size and profitability) that the income tax returns of 2,046 identical manufacturing corporations in 1924 and 1928 showed the smallest corporations (with total capital under \$500,000) earning the largest rate of profit on net worth and on total capital, and the largest corporations (\$50,000,000 and over) earning the lowest rates in 1924 and the second lowest rates in 1928. "Beyond question," Dr. Epstein

concluded, "among manufacturing corporations of all sizes of capital from \$250,000 to over \$50,000,000, the smaller corporations earn profits at higher rates than the larger ones."

To similar effect, Professor H. B. Summers, of Kansas State College, traced the financial records of 1,130 American and Canadian companies listed in Poor's and Moody's Manuals over the twenty-year period 1910-1929, and found a marked inverse correlation between size and earnings.¹⁴ Dividing his corporations into two groups, those with investment (net worth plus bonds) of over \$25,000,000 and those with investment of under that figure, he found that over the two decades the smaller group had earned 9.5 per cent annually, as against 9.4 per cent for the larger corporations. With the dividing lines set at \$10,000,000 the small earned 9.8 per cent, the large 9.3 per cent; with the line at \$5,000,000, the small earned 10.1 per cent, the large 9.2 per cent; with the line at \$2,000,000, the small earned 11.6 per cent, the large 9.2 per cent. This finding led him to conclude that "... companies with low investment show higher average earning rates than those with high investment, regardless of the dividing line

between the two groups [and] ... with certain exceptions, heavy investment is apparently a disadvantage, rather than an advantage, in securing high rates of earnings."

Dr. Raymond T. Bowman likewise published a study of industrial earnings¹⁵ in which he concluded the section on size with the remark that "... size and earnings ratios are not correlated highly, either positively or negatively."

Testing for correlation between size and earnings, Dr. Willard L. Thorp examined certain Federal Trade Commission studies of the period 1913 to 1922 and found that "of sixteen industries, in but four was the rate of return on investment in the largest concerns up to the general average for the industry, while in ten instances, the group of smallest concerns reported earnings above the average."¹⁶

Statistics of Income has now been published covering the years 1931 through 1936, and analysis of the most recent data along the lines drawn by Professor Crum and by the Twentieth Century Fund is now possible. In table II are shown the ratios of net in-

¹³ *Industrial Profits in the United States*, National Bureau of Economic Research, Inc., 1934.

¹⁴ A Comparison of the Rates of Earning of Large-Scale and Small-Scale Industries," *The Quarterly Journal of Economics*, May, 1932.

¹⁵ *A Statistical Study of Profits*, University of Pennsylvania Press, 1934.

¹⁶ "The Changing Structure of Industry" in *Recent Economic Changes*, Volume I, National Bureau of Economic Research, Inc., 1929, p. 190.

II. RATIO OF PROFITS TO NET WORTH, FOR PROFITABLE AND UNPROFITABLE CORPORATIONS IN 1931-1936

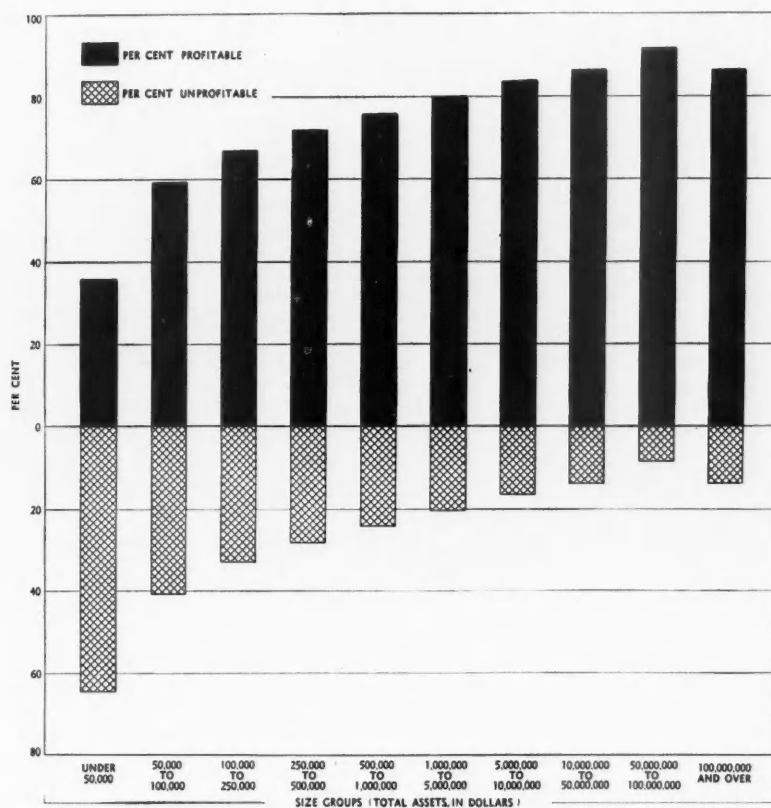
(All corporations submitting balance sheets; Statistics of Income, United States Bureau of Internal Revenue)

SIZE GROUPS Thousands of Dollars of Assets	PROFITABLE CORPORATIONS						UNPROFITABLE CORPORATIONS				
	1931	1932	1933	1934	1935	1936	1931	1932	1933	1934	1935
	Per Cent						Per Cent				
Under 50	11.6	8.7	8.6	10.6	11.1	13.2	-52.0	-46.5	-37.8	-40.2	-37.8
50 to 100	7.9	6.3	6.9	8.6	9.4	10.6	-23.1	-20.8	-13.2	-13.6	-12.5
100 to 250	7.0	6.1	6.9	8.4	9.2	11.0	-17.2	-15.5	-11.6	-10.6	-10.0
250 to 500	6.8	6.0	7.1	8.3	9.1	10.2	-13.2	-12.5	-9.9	-8.8	-7.8
500 to 1,000	6.6	5.9	7.1	8.1	9.1	9.9	-10.9	-11.1	-8.5	-7.9	-7.3
1,000 to 5,000	6.5	5.6	6.7	7.5	8.8	9.3	-8.8	-8.7	-7.5	-5.6	-4.8
5,000 to 10,000	7.0	5.9	6.5	7.3	8.0	8.7	-7.6	-8.7	-7.7	-5.2	-3.6
10,000 to 50,000	7.0	5.9	6.7	6.9	8.5	8.3	-6.3	-6.8	-6.9	-2.5	-1.6
50,000 and over	7.0	5.4	4.7	5.7	6.9	6.3	-1.5	-2.4	-2.0	0.1	1.5
ALL CORPORATIONS	7.0	5.6	5.7	6.7	7.9	7.8	-6.2	-6.9	-5.7	-3.2	-1.9

* In 1931, 1932, and 1933, corporations were permitted to file consolidated tax returns where subsidiaries were 95 per cent controlled; in 1934 this privilege was withdrawn from all but railroad corporations. Although consolidation is important in measuring concentration of assets, it is very doubtful that the shift had any great effect on the record of relative

PROPORTION OF PROFITABLE AND UNPROFITABLE MANUFACTURING CORPORATIONS, BY SIZE GROUPS, 1936

(Statistics of Income, United States Bureau of Internal Revenue)



come (compiled net profit less total tax) to net worth for "all corporations" in each of these six years, by the customary size brackets. Their import can be summarized by the statement that the tendencies toward differences according to size found by Professor Crum and by the Twentieth Century Fund persisted through 1936. These characteristics were likewise apparent when only manufacturing corporations were considered.

On the other basis of net profit on sales (ratio of compiled net profit or net loss to compiled receipts) the return of the profitable group, both "all corporations" and "all manufacturing," tended to rise with size with the exception of the largest class in manufacturing; with unprofitable companies in the "all corporations" group losses tended to increase with size, except for the two largest classes; for unprofitable manufacturers there was little apparent relation between size and profits on sales except that the largest class showed a smaller loss than all the others.

When all corporations are divided into size groups, based on amount of assets, the tendency toward greater profitability seems strongest among the larger ones; it is likewise so (chart) with manufacturing corporations.

IN GROUPS, 1931-1936 *

ALL CORPORATIONS					
1932	1933	1934	1935	1936	
Per Cent					
-33.0	-21.1	-15.5	-11.9	-7.6	
-14.0	-5.7	-2.9	-1.3	1.6	
-9.9	-4.4	-1.2	0.7	3.8	
-7.4	-3.1	-0.2	1.8	4.6	
-6.4	-2.1	0.2	2.1	4.8	
-4.8	-1.9	1.0	2.9	5.2	
-4.0	-1.7	1.2	2.9	5.5	
-2.7	-0.7	2.5	4.3	5.7	
0.3	0.9	2.8	4.3	4.9	
-2.8	-0.8	1.7	3.4	4.9	

III. PROPORTION OF PROFITABLE CORPORATIONS IN NINE SIZE GROUPS, 1931-1936

(All corporations submitting balance sheets; Statistics of Income, United States Bureau of Internal Revenue)

SIZE GROUPS Thousands of Dollars of Assets	PER CENT OF CORPORATIONS PROFITABLE					
	1931	1932	1933	1934	1935	1936
Under 50	35.9	16.2	22.4	27.2	30.6	35.9
50 to 100	39.7	20.1	29.7	38.0	42.7	50.9
100 to 250	40.4	21.2	30.4	38.6	44.9	55.6
250 to 500	39.0	22.3	30.8	37.9	45.6	59.8
500 to 1,000	36.9	22.5	30.6	38.1	45.6	62.8
1,000 to 5,000	34.9	22.6	29.5	37.1	44.7	64.8
5,000 to 10,000	35.8	25.6	31.7	38.7	44.8	67.4
10,000 to 50,000	39.7	27.5	34.7	42.3	48.3	70.0
50,000 and over	41.9	32.5	33.7	40.1	44.2	74.7
ALL CORPORATIONS	37.6	18.7	26.0	32.9	36.9	45.4

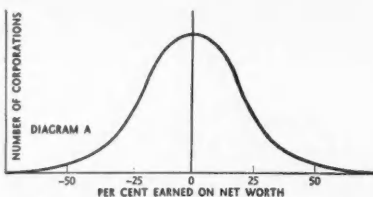
In the face of such a disconcerting lack of unanimity, attention is warranted to certain points which are commonly overlooked.

Perhaps because of its very obviousness, one point has apparently been neglected altogether: as distinct from their group rate of profitability, a greater proportion of large corporations than of small seems likely to be profitable. At least that was the case in the six lean years from 1931 to 1936 during which Treasury size-breakdowns have been published. In table III is shown the percentage of profitable corporations in each size class for the years in question. It is immediately apparent that there is a tendency, by no means uniform but nevertheless distinct, for the larger corporations to have a higher proportion of their numbers in the black than do the smaller.

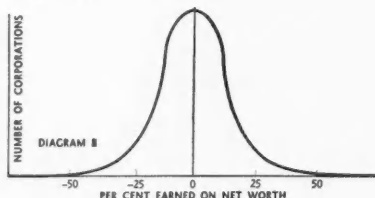
Table III carries data on all corporations, in whatever line of business. When financial companies are excluded from consideration, the tendency for the large to be more frequently profitable than the small, is even more marked. Likewise, corporations engaged in manufacturing tend strongly in the same direction as is apparent from a glance at the chart.

But to stop with the conclusion that small corporations as a class have both greater profits and greater losses than large is to stop with the tale only half told. While we cannot yet go on to the last page, it nevertheless is possible to carry the story forward another chapter or two and give the plot an entirely new twist.

To write this additional chapter will require the reader to make a brief sortie—but an easy one—into the field of statistical technique. One tool which statisticians use in analyzing data is the frequency graph, which is nothing more than a picture of the number of units in each class of a given body of data. From a purely hypothetical standpoint, a frequency graph based on the rate of profit for all corporations might look something like this:

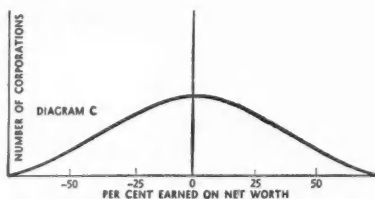


When a vertical line is drawn at the zero per cent line through the approximate center of this frequency graph, the winners are separated from the losers (line o). The average profit of the winners (those to the right of the line) will—for the sake of argument—be somewhere near the 7 per cent mark, and the average of the losers will be somewhere near the -7 per cent line. But suppose—again for the sake of argument—that the frequency curve shown above were taller and narrower, like this:



The vertical line at the zero point again separates the winners from the losers, but now the average winnings of the profitable corporations are closer to 4 per cent and the average loss of the losers is likewise somewhere near -4 per cent.

One more supposition: suppose the frequency curve were flatter and wider, like this:



Now the average profit of the profitable corporations is approximately 20 per cent, as is the loss of the average loser. Assuming—and still speaking hypothetically—that the combined losses of the losers were equal to the

combined profits of the winners in each of the three instances, then each group as a whole would have the same return (that is, a return of zero) on its investment.

But note the comparison which can truthfully be made between the two latter groups. One could say, with perfect accuracy: "The corporations in Diagram C had both higher losses and higher profits than the corporations in Diagram B." But such a statement would not be the whole story. The whole story is that the profits and losses of the corporations in Diagram C were spread out more widely along the profit-and-loss scale than were those of the corporations in Diagram B.

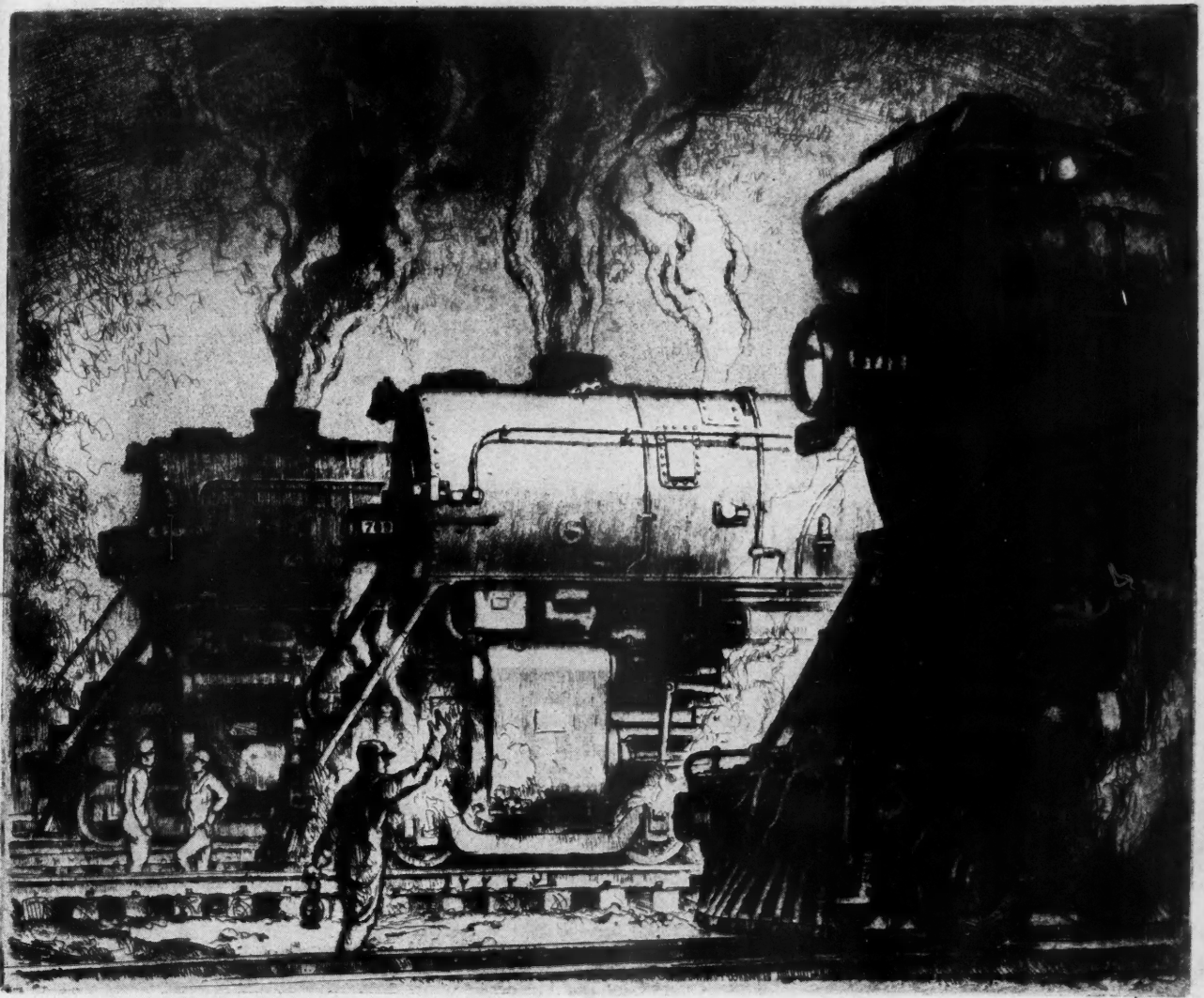
With this in mind, it is hard not to suspect that although Diagram A might be representative of all corporations combined, a frequency curve drawn of the large corporations would look more like that of Diagram B, while a curve of the small corporations would more likely resemble that of Diagram C.

Data of the type to furnish empirical confirmation of this supposition are not readily available, yet such scant data as we have do confirm it in fragmentary fashion. And from a simple mathematical standpoint, such an explanation is the only logical one, and indeed the only possible one, unless the frequency curve of the small should have two humps like a camel, one on each side of the zero line.¹⁷

But such an answer leaves much still to be explained. What is it that causes the profit and loss rates of the small to be more widely scattered than those of the large? At least two points

¹⁷ A frequency diagram showing the actual number of corporations earning or losing at the several rates indicated, either generally or within a given size-bracket, would of course not show such neat equality between either winners and losers or winnings and losses as appeared in the foregoing illustrations. That, however, is not important to the point being made, which was that the more widely the earnings rates of a given group of corporations are spread along the profit-and-loss scale, the higher must be the average profit and the average loss.

Even when the cases do not fall equally on both sides of the zero profit line, the averages will still be dominated by the degree of scatter. Thus, if 75 per cent of the items in Diagram B should be on the profitable side, and 75 per cent of the items in Diagram C on the losing, it would be even more true that the average profit of the profitable in Diagram B would be less than that of the profitable in Diagram C.



"LADIES IN WAITING," BY OTTO KUHLER—COURTESY OF KENNEDY & COMPANY

of explanation seem to have some validity.

The first is the relative influence of net worth turnover. Both Professor Crum and the Twentieth Century Fund found that small corporations do a relatively larger volume in comparison with net worth than do the large, or conversely that their net worth is smaller in relation to their sales. Even as to individual industry divisions and sub-divisions, Professor Crum found in

1931 a practically universal tendency for turnover of net worth to be faster for the small than for the large. The Fund reported net worth in 1931, 1932 and 1933 turning over roughly three times a year for the smallest, as against once every two or three years for the largest.

Whatever rate of profit or loss may be returned on sales is inexorably multiplied by the speed with which the business revolves, with the obvious result

that the small can reach dizzier heights or plumb more abyssmal depths than their more ponderous rivals. And we have seen that in general, on the broad bases of total sales irrespective of the amount of underlying capital, profits tended to rise with size in the profitable group and decline in the unprofitable group. But whatever happened was exaggerated as size went down by the squirrelishness that also becomes conspicuous with declining size.

So put, it would seem like a brilliant stroke of business for small corporations to quit selling in bad times in order to keep net worth from spinning so fast, and if statistics were cash it might be so. One flaw in the scheme is that as net worth declines as a percentage of sales, the suspicion arises that personal efforts of the owners replace it as the major resource of the business, and the depreciation of that kind of asset is more suitably reflected by growls at the dinner table than by Treasury statistics. Certainly the human equation overtakes accounting assets in importance as the scale of operations goes down, until it reaches its democratic zenith in the form of the storied citizen with his office in his hat. The speed with which that hat can turn over in business can set a new goal for March winds to aim at, with ruinous effects on net worth at every turn, so that practically nothing is saved from any sale save the business and possibly a living for the owner.

Even the perfect absurdity may supply a clue as to the character and significance of some of the huge annual deficits turned up by generalities in the case of small concerns, and after due allowance is made for the exaggerations of the example, an interesting question of degree will remain. That degree loses importance as the small become medium-sized and the medium-sized become almost but not quite giants, to wit, a corporation with assets of \$49,000,000. It will be supplemented a little later by more orthodox artificialities resulting from the conversion of accounting concepts into statistics.

In the meantime one of the rational and seldom noticed causes of rapid turnover of net worth in the case of small corporations is to be found in their proportionally heavy debt. Debt is ordinarily associated with far-flung empires such as railroads and utilities, and the key lies in floating as contrasted with fixed debt. To illustrate, for all manufacturing corporations in 1936, the proportion of total capitalization represented by borrowing was 50 per

cent in the case of the smallest group and 21 per cent in the case of the largest, with consistency sufficient for the present purpose being observable in the intervening progression. But of this debt 85 per cent was in the form of notes and accounts payable in the statements of the pygmies as against only 58 per cent in those of the giants. With capital obtained so largely by borrowing, the equity required is necessarily less, and profits or losses measured against net worth will show greater variation. Thus a vigorous leverage factor is introduced.

Also, the more rapid turnover of net worth in the case of small corporations may be ascribed in part to differences between industries and to the probability that corporations of one size tend to populate one industry or type of industry, and corporations of a different size, another.

Hardiness

Ordinary observation in real life of the behavior of some of the small concerns that from their financial reports seem to be withering at the root suggests an odd similarity to perennials rather than transient life. They give the appearance of ducking underground when the wintry winds blow, returning to do an animated business as usual in the Spring of recovery. Some of the proprietors statistically posted as dying are apparently no closer to such finality than to be complaining at the Rotary Club that business is bad. There are no statistics to measure phenomena of this character however, and as far as this article is concerned, their significance if any must be left exclusively to the reader's imagination.

As to the second cause of the wider scatter in the profits and losses of the small, one of the few moss-to-the-north facts that can be discerned in this pathless forest is that big corporations are more diversified than small. Nor is the diversification simple. It may, merely by way of example, be in terms of products, product variations, grades and qualities, types of customers, location of

plants and sales territories, and the varying fortunes of specialized subsidiaries and managements. Some of our largest concerns are figuratively honey-combed with economic shock-absorbers of the approved modern type. Over long and short cycles it is safe to assume that fractional fortunes and misfortunes tend to neutralize each other, at least to the point of keeping net results well within the cosmic scrolls described by the profits and losses of the small.

A crude way of supplementing this point is to say that small corporations have wildly fluctuating profits principally because they are small. Their base is narrower and the trade winds can carry them more easily. Dependence on a big order can put their very life in jeopardy in the year immediately following its joyful acceptance as a windfall.

While the above points explain the different scatter diagrams of the large and small, the fundamental issue raised at the beginning of this article was the relative profitability of the two groups. Statistical data were presented, and must now be subjected to a bit of X-ray analysis. Some questions are inevitable concerning the effects on any conclusion of current accounting technique.

One weakness in the figures, for example, is the fact that profits may take the form of salaries, particularly among the smaller corporations. In the already cited Baker study¹⁸ it was found that salaries paid in 1936 by the large concerns were 0.3 per cent of sales, 3.5 per cent of earnings (profits before executive compensation and interest); by the small concerns 1.6 per cent of sales, 16.1 per cent of earnings. The inference is abundantly supported by *Statistics of Income* data for all of the six years during which size breakdowns have been made.

It is fairly evident therefore that salaries partake indistinguishably of the character both of return to owners and of payment for services rendered, and that "earnings" suffer from this accounting depredation on an inverse

¹⁸ See footnote 5.

scale to size. To be used only as an interesting bit of wax-works, the following table shows what would happen to the earnings figures previously credited to the large and small corporations for 1936 if salaries, instead of being falsely entered as 100 per cent expense, should be falsely entered as 100 per cent return on capital.

TOTAL-ASSET BRACKETS	PER CENT EARNED
Under \$50,000.....	34.2
\$50,000 to \$100,000.....	17.5
\$100,000 to \$250,000.....	13.4
\$250,000 to \$500,000.....	10.1
\$500,000 to \$1,000,000.....	8.5
\$1,000,000 to \$5,000,000.....	7.1
\$5,000,000 to \$10,000,000.....	6.4
\$10,000,000 to \$50,000,000.....	6.2
\$50,000,000 and over.....	5.1

A new absurdity is thereby produced in earnings spreads as between size groups, with fantastic advantages this time appearing down scale. It is cheerfully recognized that, with the deduction of salaries from expense, the figures become meaningless. Their only excuse for existence is that with salaries included they also tend to be meaningless, albeit in a less insulting degree. The truth in fact lies in the reality of the degree to which this item is honestly mischarged, if the purely technical paradox does not arouse too much indignation. That secret seems likely to remain inviolate.

More in Profits?

Salaries, however, are only one example, albeit the most important one, of the ability of small corporations to understate their profits. The necessarily smaller amount of attention that can be paid to the income tax returns of the small corporations by the Treasury auditors facilitates the padding of expenses and consequently the understatement of earnings to a greater degree than the large can manage. As a partial offset to this statistical bias running against the profits of the small must be placed the employment by the large of experts skilled in the science of caching earnings.

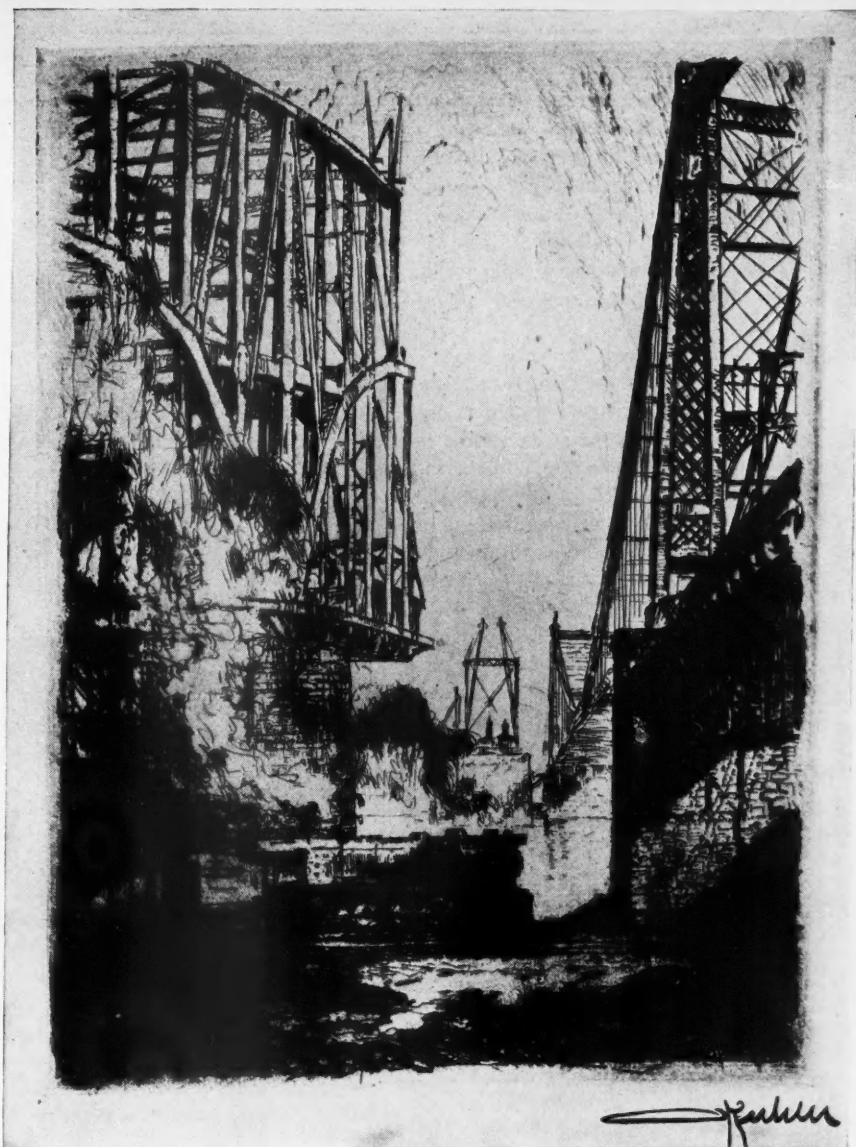
However, quite apart from these melancholy observations on the realism

of available data, it is still necessary and possible to reconcile the apparently conflicting conclusions that are likely to flow from too casual use of such constructive studies as those of Crum, Epstein, Summers, and The Twentieth Century Fund.

The Crum and Twentieth Century Fund analyses of income tax data are for the most part similar in their conclusions that, taken as a whole (profitable and unprofitable combined), large corporations have higher earnings on net worth than small, but that profitable small have greater earnings, un-

profitable small greater losses, than large. The Epstein and Summers studies, on the other hand, emerge with the conclusion that taken as a whole, large corporations have lower earnings on invested capital than small.

This apparent disagreement may be put down as due to a less perfectly representative sample in the Epstein and Summers studies; more specifically, to the inclusion of too few unprofitable corporations. Dr. Epstein himself points out that "so far as profitability is concerned, the sample is somewhat biased in an upward direction." It is



"BUILDING BRIDGES," BY OTTO KUHLER—COURTESY OF KENNEDY & COMPANY

to be suspected that Professor Summers' sample is likewise on the profitable side, if only for the reason that his records extend over a period of twenty years with an average of thirteen yearly statements for each of his 1,130 corporations and that the unsuccessful short-lived corporation was by definition excluded.

With long-lived profitable corporations dominating the Epstein and Summers studies, it is not unnatural that the tendencies of the group should resemble those of the profitable alone, which, as is evident from recent *Statistics of Income*, we should expect to display higher profit rates for the small (i.e., the profitable small) than for the large.

The 1919 *Statistics of Income* data, it will be noted, cover profitable corporations only, and to that extent, agree quite uniformly with the tendencies shown by the profitable corporations in recent studies.

Known and Unknown

While it is not at this point possible to precipitate all of the fog beclouding the issue of relative profitability, we can at least take inventory of what is known and what is not, as of the present.

A. Conclusions suggested by the unrefined statistical aggregates which alone are available for corporate activity as a whole, and which even so are representative of lean years only.

1. Large corporations on the basis indicated are more frequently profitable than small.

2. Winners and losers combined, large corporations fare better than small.

3. When small corporations are profitable, they earn higher profits on their capital than do profitable large corporations. This apparent truth is emphasized at every turn, including such thorough studies as those of Epstein, Summers, Thorp, Crum and the Twentieth Century Fund. Conversely, when small corporations are unprofitable, they lose a larger percentage of

their capital than unprofitable large corporations.

4. In Points 1 and 3 can be found the explanation of Point 2. In other words, the superior earning ability of the small that do make money is more than offset by (a) the ability of a larger percentage of big concerns to make money and (b) the liability of unprofitable small concerns to heavier proportionate losses.

5. Small corporations are more active per dollar of net worth, with the result that profits and losses on sales, when translated to a net worth basis, tend to spread more widely over the profit-and-loss scale.

6. This more rapid turnover of net worth in the case of small corporations may be ascribed in part to such factors as the greater diversification of large concerns with resultant compensation of profits and losses from separate activities, and the relative concentration of differently-sized concerns in different types of industry.

B. Qualifications and Speculations.

These do not make "1-2-3's," but a homily. Part of the struggle is to find out, not how differently-sized businesses behave, but why the statistics about them behave the way they do. Suitable warnings are in order over the distorting properties of data designed for special purposes, and used as bases for general conclusions. Business size studies in part involve decisions as to how concave to make one's mind in order to compensate for the convexity of statistical mirrors.

The principal illustration is that we know little concerning the extent to which salaries charged as expenses in corporate accounts are the irrelevant by-product of executive policy or are *bona fide* payments for service rendered. We may suspect that there is more design than necessity in the executive payrolls of small corporations. It is the degree, however, that is vital to a conclusion, and as to this bit of essential truth the most otherwise commanding figures are silent.

The basic purpose of this article is still that of discovering whether the

relative earning ability and saving propensity of large and small corporations do or do not contribute to economic concentration. As to growth through savings, the evidence is unusually clear that profitable small corporations tend to hug newly won resources more tightly than do the large. It is also clear that this statistical advantage for the small as a class is normally overcome by a higher rate of both losses and mortality.

Relative Performance

The data on relative earnings, as has just been seen, sputter out more or less inconclusively, although conglomerate Treasury returns suggest, to the extent that such unrefined data are admitted in evidence, that large corporations, as a class, have been earning, during the depression at least, at a better rate than the small. It appeared from the previous article in this series that both the "merger" and "new capital" means of growth could be exploited more effectively by the already great than by the growing, and there is at least no proof in the present discussion that these advantages are offset by the skill and discretion of little business in managing the resources already at its disposal.

This impression applies exclusively to big and small corporations as groups. Obviously, as individual concerns, there are many small and middle-sized corporations whose accomplishments are obliterated by the undistinguishable weight of weaker neighbors in a common size-bracket. They earn and they save at a rate far above that of their larger rivals, and it is to be suspected that many of them are capable of doing so in both good times and bad. Buried somewhere in mediocrity there is probably a stalwart guard of marching middle-classes. Statistically they are a lost legion, but lost or found, they are probably going to have much more to say about the ultimate scope and sway of bigness than will be inert groupings named as its natural enemy in most of the battle dispatches.



CAMERA GUILD, INC.

Of the eleven trades studied in Indiana, drug stores had the lowest turnover rate; over an eight-year period openings and closings were 76 and 79, respectively, for every 100 drug firms in business in 1929.

BIRTHS *and* DEATHS of RETAIL STORES in INDIANA, 1929-1937

G. W. STARR and G. A. STEINER

Bureau of Business Research, Indiana University

A GREAT many more industrial and commercial enterprises retire from business quietly, undramatically, than cease to exist because of clear-cut failure. Yet the factual data on simple business withdrawals are as scanty as the data on failures are complete. Since 1929 almost no studies about discontinuing retail firms, for example, have had more than local scope.

To supplement this meager knowledge the Bureau of Business Research of Indiana has recently made an analysis of business withdrawals on a larger scale; the period extends from 1929 to 1937; the area covered comprises eleven retail trades in 207 representative towns and cities having about 40 per cent of the total Indiana

population. The survey provides firmer ground on which to base our deductions about rates of turnover in diverse trades, numbers of firms leaving business through depression years, and length of business life in retailing.

Exits and Entrances

In the Indiana study the figures often represent the entrance and exit of persons engaged in retail trade rather than merely the opening and closing of businesses themselves. Each time the transfer of the ownership or management of a store resulted in a change in the firm name the establishment was recorded in this study as the discontinuance of a firm and the appearance of a newcomer. In some cases

the tabulation indicated a failure of an outlet and inception of a new firm in the field; in others it was only a transfer of ownership, a reorganization under a new name, a change in the firm name, etc.

Retail failures in the entire State did not exceed 500 in any year following 1930 and probably averaged little over 200 a year. On the other hand, the number of retail discontinuances, as indicated by the Bureau's study in 207 cities and towns, were found to be considerably in excess of 1,500 in each of the years following 1930. It is obvious that the turnover figures examined here are concerned with changes in ownership and management of retail outlets much more than

I. TURNOVER IN 11 RETAIL TRADES—NUMBER OF STORES ENTERING AND DISCONTINUING BUSINESS, 207 INDIANA TOWNS, 1930-1937

	In Business, End of 1929		Entering 1930-1937		Discontinuing 1930-1937		In Business, End of 1937	
	Number	Per Cent	Number	Number	Number	Per Cent	Number	Per Cent
Groceries	4,093	39.2	5,143	5,419	3,817	40.2		
Shoes	299	2.9	326	352	263	2.8		
Hardware	344	3.3	299	291	352	3.7		
Garage and Auto Sales	1,828	17.5	2,775	2,989	1,614	17.0		
Department Stores	214	2.1	182	216	180	1.9		
General Stores	581	5.6	441	654	368	3.9		
Drugs	730	7.0	558	576	712	7.5		
Restaurants	962	9.2	2,277	2,254	985	10.4		
Men's Clothing	472	4.5	414	511	375	3.9		
Women's Clothing	601	5.8	797	857	541	5.7		
Furniture	306	2.9	373	390	289	3.0		
TOTAL	10,430	100.0	13,585	14,509	9,506	100.0		

with the failures of these concerns.

It is very likely that, on the average, retail stores in Indiana change management or ownership as many as fifteen times before they finally are forced out of business as commercial failures.

Although instability in retailing is generally recognized to be great, few people realize the magnitude of actual store turnover. Out of a total of 10,430 stores in business at the end of 1929 and 13,585 starting during the next eight years, disappearances aggregated 14,509, or 139 per cent of the number of stores operating at the end of 1929 (tables I and II). Since the actual number of closings exceeded openings by 924, there were 9 per cent fewer retail outlets in 1937 than in 1929.

A Chance

In the retail field the most inadequately prepared individual very often deludes himself into thinking that he has a chance for success where others have failed. This is especially true in those trades where the capital requirements are not great and where, superficially at least, good business judgment and management are characteristically assumed by the proprietor. This situation is especially true in the grocery and restaurant trades. Garages also should be included in this category. It is not surprising, therefore, to find that

the turnover among restaurants was unexceeded by any other type of store. The total number of new restaurants during the eight-year period aggregated 237 per cent of the number in existence in 1929. Closings were 234 per cent of the 1929 figure. In spite of the rapid turnover among restaurants, there were 2 per cent more in existence in 1937 than in 1929. Only one other type of store, hardware, could boast a larger number of outlets in 1937 than in 1929.

At the other extreme, drug stores registered the smallest turnover, starts and quits for the period aggregating 76 and 79 per cent, respectively, of the number of firms in business in 1929. Turnover among hardware stores was a close second for low, for entrances and exits amounted to 87 and 85 per cent, respectively, of the number of stores in business at the end of 1929. Of course it is difficult to generalize regarding the more qualita-

tive phases of these movements, but it is likely that the educational requirements for the establishment of a drug store and the strength of the Retail Hardware Trade Association in Indiana, with its excellent services to local hardware managers, have much to do with relatively satisfactory showing of retail hardware and drug stores so far as business turnover is concerned.

Interpretation of the numerical changes should of course be considered in the light of the relative number of establishments in each classification (table I). As might be expected, there were more grocery stores than any other type outlet among the major trades. They constituted roughly 40 per cent of the total number of stores in 1929. Although there were 7 per cent fewer groceries in 1937 than in 1929, those remaining at the end of the period still comprised approximately 40 per cent of all stores. Department stores had the smallest proportion of the total retail outlets in both years. Notwithstanding the fact that the actual number of department stores fell 16 per cent during the eight-year period, the ratio to total stores remained relatively constant at around 2 per cent at the beginning and at the end of the years covered.

To study the effect of the depression

II. TURNOVER IN 11 RETAIL TRADES—PERCENTAGES OF STORES ENTERING AND DISCONTINUING BUSINESS, 207 INDIANA TOWNS, 1930-1937

	In Business, End of 1929		Entering 1930-1937		Discontinuing 1930-1937		In Business, End of 1937	
	100.0		100.0		100.0		100.0	
Groceries	100.0	125.6	132.4	93.2				
Shoes	100.0	109.1	121.1	88.0				
Hardware	100.0	86.7	84.7	102.0				
Garage and Auto Sales	100.0	151.8	163.6	88.2				
Department Stores	100.0	85.0	100.9	74.1				
General Stores	100.0	75.7	112.7	63.0				
Drugs	100.0	76.3	78.8	97.5				
Restaurants	100.0	236.7	234.4	102.3				
Men's Clothing	100.0	87.7	108.3	79.4				
Women's Clothing	100.0	132.6	142.6	90.0				
Furniture	100.0	121.8	127.4	94.4				
TOTAL	100.0	130.2	139.3	90.9				

on the mortality of outlets of different sizes, the tangible-net-worth ratings of all firms quitting business from 1930 to 1937, inclusive, were determined from the DUN & BRADSTREET, INC., Reference Book. It is apparent (table III) that over 10 per cent of the stores had no ratings, nearly 80 per cent were in the group with net worth of \$20,000 and under, about 8 per cent were rated \$20,000 to \$125,000, and only 1 per cent were rated in excess of \$125,000. The largest concentration was in the smallest rating group, less than \$2,000 (44 per cent).

Highest Turnover

In general the lines with the smallest capital investment might be expected to have the highest turnover, since the ease with which a person may enter an unregulated business is determined in large part by the capital necessary to start the business. Parenthetically, it might be well to call attention at this point to the findings of certain reliable *bureaus of business research* to the effect that most lines of retail distribution require an annual volume of about \$50,000 per unit in order to be successful. Even if these firms had a turnover of capital 12 times a year, which is high for many types of retail outlets, then none of those with a rating of less than \$2,000 had an annual

business of as much as \$50,000 each year. While there is nothing highly accurate about this generalization, nevertheless for the more common trades such as groceries, hardware, shoes, and restaurant outlets a certain minimum volume is necessary to insure a profitable continuation of business. Few of those with assets of less than \$2,000 had a possibility of doing a business in excess of \$50,000 per year.

It is common knowledge that such retail lines as groceries, restaurants, garages, and small dress shops represent the smaller retail units in many locations and among which there has

been a considerable turnover. In the Indiana sample, in approximate figures, 60 per cent of the grocery stores, 70 per cent of the restaurants, 50 per cent of the garages, and 40 per cent of women's clothing stores had net worth ratings of less than \$2,000 (table III). Against this may be contrasted hardware, department, and men's clothing stores. Fewer than 5 per cent of the hardware and department stores, and less than 10 per cent of the men's clothing stores were in the lowest capital classification. These stores had relatively high percentages in the first and second ratings. It is significant to note, too, that in many trades there was a higher percentage of stores in the \$2,000 to \$20,000 classification than in any other grouping.

The large number of firms engaged in some of the more common retail trades gives a somewhat distorted picture of the turnover if percentage figures in table III are considered without reference to the total number of firms in business in each rating group in 1929. For example, roughly 3,500 grocery stores discontinued under their original ownership in the lowest asset groups in the eight years from 1930 to 1937, while only 16 department stores in this rating classification withdrew from business (table IV). Nevertheless, it was in the lowest bracket,

IV. NUMBER OF DISCONTINUANCES IN 11 RETAIL TRADES BY CAPITAL CLASSES, 207 INDIANA TOWNS, 1930-1937

	\$125,000 and Over	\$20,000 to \$125,000	\$2,000 to \$20,000	Under \$2,000	No Rating*	Total
Groceries	5	80	1,059	3,567	708	5,419
Shoes .....	..	31	138	88	95	352
Hardware .....	..	43	130	39	79	291
Garage and Auto Sales ..	..	124	701	1,572	592	2,989
Department Stores	9	55	79	16	57	216
General Stores	1	33	258	278	84	654
Drugs .....	..	42	215	106	213	576
Restaurants .....	..	27	260	1,478	489	2,254
Men's Clothing	1	57	214	87	152	511
Women's Clothing	5	55	275	339	183	857
Furniture .....	..	58	118	106	108	390
TOTAL	21	605	3,447	7,676	2,760	14,509

* In DUN & BRADSTREET, INC., Reference Book.

III. PERCENTAGE DISTRIBUTION OF STORES IN 11 RETAIL TRADES BY CAPITAL CLASSES, 207 INDIANA TOWNS, 1929

	\$125,000 and Over	\$20,000 to \$125,000	\$2,000 to \$20,000	Under \$2,000	No Rating*	Total
Groceries	0.2	2.4	32.9	58.9	5.6	100.0
Shoes	2.0	14.7	50.5	16.7	16.1	100.0
Hardware	0.9	22.7	59.3	4.9	12.2	100.0
Garage and Auto Sales ..	0.3	8.2	33.4	46.8	11.3	100.0
Department Stores	12.1	39.3	28.5	4.7	15.4	100.0
General Stores	0.2	11.2	50.8	32.3	5.5	100.0
Drugs	1.4	10.0	47.8	10.7	30.1	100.0
Restaurants .....	..	1.6	15.4	68.4	14.6	100.0
Men's Clothing	3.6	22.0	50.2	8.5	15.7	100.0
Women's Clothing	1.8	10.7	39.4	37.3	10.8	100.0
Furniture	5.9	25.8	35.6	14.4	18.3	100.0
TOTAL	1.0	8.2	35.9	43.9	11.0	100.0

* In DUN & BRADSTREET, INC., Reference Book.

less than \$2,000 in net worth, that most of the disappearing firms were registered. Roughly 54 per cent of the quitting firms were in this class. Approximately 19 per cent of the closing establishments were listed in the no rating column, while 24 per cent were found in the \$2,000 to \$20,000 grouping.

Further analysis leads to correlating the discontinuances in the two smallest capital classifications with the actual number of firms operating in 1929 (table V). Among the eleven trades drug stores had the best record in the lowest net worth classifications, while the highest turnover took place among furniture stores. In the next to lowest capital grouping drug stores again showed the best relative experience with hardware stores a close second. The largest turnover was registered among restaurants.

An essential phase of any study of retail mortality is that of the length of life of new businesses (table VI). Figures in the table show for those firms going out of business the percentage which did so each year after their inception, irrespective of the year in which they started business. Thus, if a firm opened in 1930 and disappeared in 1931 it would be included in the total

V. SMALL STORES DISCONTINUING BUSINESS, 1930-1937, AS A PERCENTAGE OF STORES IN 1929 —207 INDIANA TOWNS

	CAPITAL CLASS	
	\$2,000 TO \$20,000	Under \$2,000
Groceries	79	158
Shoes	91	176
Hardware	64	229
Garage and Auto Sales	115	184
Department Stores	130	160
General Stores	87	148
Drugs	62	136
Restaurants	176	225
Men's Clothing	90	218
Women's Clothing	116	151
Furniture	108	241
TOTAL	92	168

number of exits shown in the column for the first year. Similarly, if an enterprise opened in 1936 and closed in 1937, it would be properly included in the same column. Obviously only those firms beginning operations in 1930 and quitting in 1937 could be tallied in the seventh year column.

It is important to emphasize again that roughly 80 per cent of the business exits during the 1930-1937 period involved groceries, garage and automobile sales establishments, and restaurants. Approximately 36 per cent of the disappearances were groceries. Of all stores quitting business in the first seven years, 47 per cent of the discontinuances took place the first year of operation, 25 per cent the second year, 13 per cent the third, 8 per cent the fourth, and 7 per cent the next three years. In another study covering the years from 1926 to

1930, it was found that 47 per cent of the establishments disappearing made their exits during the first two years; 59 per cent were gone after the first three years. Figures from the Indiana survey indicate that for the depression period 85 per cent of the closing stores discontinued business within three years.

Staying in Business

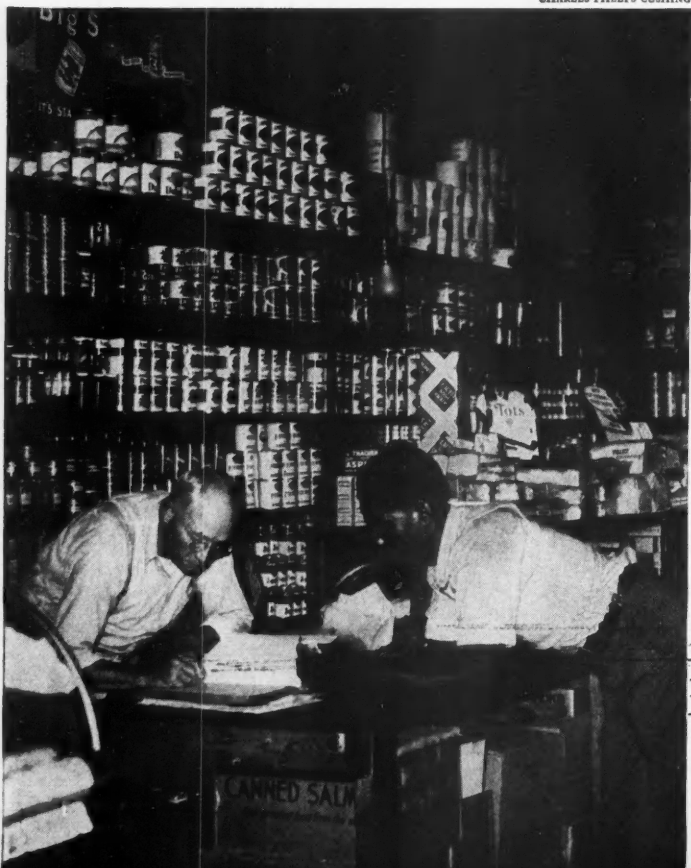
It is possible to correct one of the obvious short-comings of the compilations in table VI by taking into account too those establishments which continued in business after seven years of operation. Table VII purports to show disappearances as they are related to the number of firms starting at the beginning of the period, their year of exit, and the proportion remaining at the end of 1937.

The figures reveal that 25 per cent of all stores opening in 1930 quit in 1931; 18 per cent more disappeared in 1932; 10 per cent more were gone in 1933. The proportion of discontinuances declined each year thereafter until only 3 per cent withdrew in 1937. By the end of 1937 there were remaining 27 per cent of the firms in operation which started business in 1930. In another study covering the period from 1926 to 1930, only 16 per cent of the firms starting business in 1925 were gone in 1926, 27 per cent by 1927, 35 per cent by 1928, 41 per cent by 1929, and 46 per cent by 1930. If the same firms had started business in 1930, the probability is strong, at least according to the evidence of the present study, that 56 per cent would have been gone within five years. Although it is to be expected that more starting firms disappear during a business downswing than on a prosperity wave, it is significant that the statistics of the two studies do not vary as much as one at first might suppose.

Among the eleven trades there were relatively fewer stores in operation (of those which started in 1930) in the restaurant and garage and automobile sales agency classifications at the end

In trades for which capital requirements are not great many inexperienced individuals try their hand at proprietorship; turnover of grocery stores is generally high.

CHARLES PHILIPS CUSHING



of 1937 than any other trade (table VII). Among the restaurants starting business in 1930, only 16 per cent remained in 1937. After seven years of operation, only 17 per cent of the starting garage and automobile sales establishments remained in business. The smallest proportion of closings during the period were found in the drug and hardware branches. At the end of 1937 there were still 50 per cent of the starting drug stores in existence. Only 54 per cent of the hardware stores disappeared during the entire period.

The examination of turnover data



EWING GALLOWAY

In 1929 and 1937 department stores were fewest among the eleven trades and declined 16 per cent in eight years.

VI. PERCENTAGE DISTRIBUTION OF DISCONTINUANCES, 1930-1937, BY RETAIL STORES WHICH ENTERED AND DISCONTINUED BUSINESS IN THAT PERIOD—207 INDIANA TOWNS

	First Year	Second Year	Third Year	Fourth Year	Fifth Year	Sixth Year	Seventh Year	Total
Groceries	46.0	24.8	13.5	8.4	3.9	2.6	0.8	100.0
Shoes	50.0	29.3	12.0	5.3	2.7	0.7	..	100.0
Hardware	33.9	26.6	16.5	8.3	5.5	6.4	2.8	100.0
Garage and Auto Sales ..	47.9	24.6	13.2	6.7	4.0	2.6	1.0	100.0
Department Stores	50.0	25.0	13.0	8.7	1.1	2.2	..	100.0
General Stores	45.0	25.4	12.9	9.6	1.9	3.3	1.9	100.0
Drugs	38.0	28.3	13.7	11.2	4.4	3.4	1.0	100.0
Restaurants	50.7	25.4	10.6	8.1	2.9	1.9	0.4	100.0
Men's Clothing	43.8	30.0	11.3	9.9	3.5	1.0	0.5	100.0
Women's Clothing	49.1	25.3	12.9	5.4	4.7	1.8	0.8	100.0
Furniture	44.7	26.7	11.8	6.2	3.7	5.0	1.9	100.0
TOTAL	47.1	25.3	12.7	7.9	3.7	2.5	0.8	100.0

brought to light many facts and suggested many implications. It appears that the turnover of ownership or management of Indiana retail stores from 1929 to 1937 was from twelve to fifteen times as great as business failures. One might suspect that business turnover might be accelerated during periods of prosperity or depression. In prosperous years it would seem logical that the number of firms entering business might exceed the number leaving, and in times of business retrenchment the volume of stores quitting business might surpass those starting operations.

Fewer Beginning

For the most part the study covered a period of business retrenchment. The number of firms entering business from 1930 to 1937 was less than the number disappearing. It might be true that during a business recession or depression, turnover of business ownership might be accelerated preceding failure. In other words businesses which are doing badly might change ownership or management several times before they leave the scene by the failure route.

Analysis of the data showed that there were 9 per cent fewer stores in business in Indiana at the end of 1937 than at the end of 1929. The number of new firms opening during this period was over 130 per cent of the

VII. PERCENTAGE DISTRIBUTION OF DISCONTINUANCES, 1930-1937, BY RETAIL STORES WHICH ENTERED BUSINESS IN 1930—207 INDIANA TOWNS

	Discontinuing—							In Business, 1937
	1931	1932	1933	1934	1935	1936	1937	
Groceries	22.5	16.4	10.3	8.1	5.4	4.5	2.7	30.1
Shoes	23.9	21.7	13.0	4.3	..	2.2	..	34.9
Hardware	11.5	16.4	9.8	3.3	1.6	6.6	4.9	45.9
Garage and Auto Sales ..	30.5	19.9	11.9	6.3	5.7	5.7	3.4	17.4
Department Stores	30.3	27.3	9.1	6.1	3.0	..	..	24.2
General Stores	24.3	18.9	14.9	6.8	2.7	4.1	4.1	24.2
Drugs	14.0	14.0	6.5	5.4	2.2	5.3	2.2	50.4
Restaurants	33.1	20.4	8.4	11.3	5.1	4.4	1.8	15.5
Men's Clothing	17.3	16.0	11.1	12.3	6.2	1.2	1.2	34.7
Women's Clothing	21.9	21.9	6.1	5.3	6.1	4.4	2.6	31.7
Furniture	20.0	18.2	5.5	3.6	5.5	12.7	5.5	29.0
TOTAL	24.9	18.4	9.9	7.6	4.9	4.8	2.7	26.8

number in business at the end of 1929. The number disappearing was nearly 140 per cent of the 1929 figure.

Turnover varied markedly among the trades examined. The volume of turnover was the greatest among stores which required the smallest investment and the least technical skill. For instance, over the period, grocery stores, restaurants, and garages and automobile sales establishments had the largest turnover. The smallest turnover percentages appeared among the drug and hardware stores. The traditionally popular notion that small groceries, restaurants, and garages can be run with a modicum of technical skill and managerial ability probably has contributed much to the turnover among these trades.

That the inadequate preparations of many starting out in these three trades has been an important factor in their rapid turnover is undoubtedly true, but the extent to which the lack of technical and managerial ability has been a cause of excessive turnover can-

not of course be measured by the data at hand.

It is also significant that drug stores, a trade in which the technical and managerial training should be higher than in any of the other branches covered by the report, had the least turnover. The capital requirements of the retail drug store are undoubtedly higher than for some of the trades with a very high turnover, but the difference has been too great to attribute it solely to variations in capital requirements.

One-half in Year

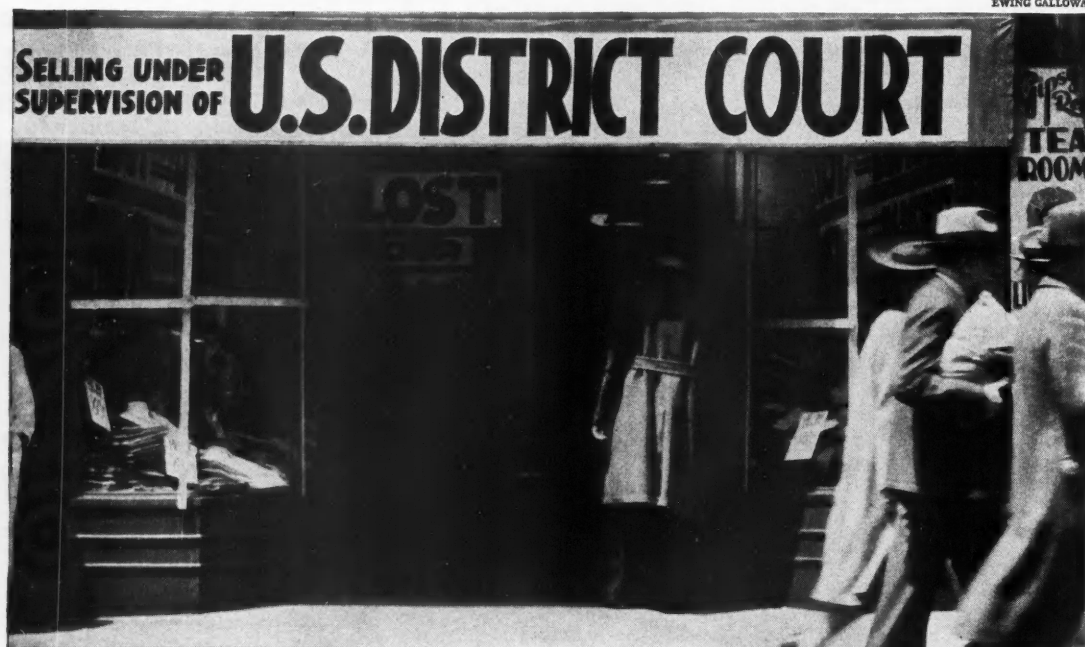
With respect to the longevity of all firms entering and quitting business between 1929 and 1937, it was found that nearly one-half change ownership or management during the first year. The movement slowed up considerably the second year, but even then 25 per cent of the firms changed hands. Thus three-fourths of all firms which entered and quit business following 1929 disappeared within two years. Less than 1 per cent changed hands in the seventh

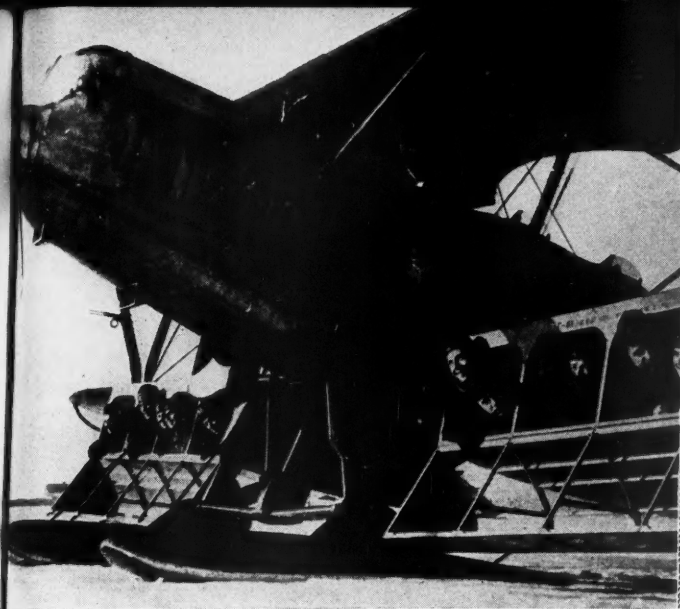
year. From these figures it appears that the chances that a new firm, which is destined to disappear within say seven or eight years, will have a change in ownership during the first year of its life are one in two, and one in three in the second year, but only one in eight or nine in the third year.

When the length of life of only those firms entering business in 1930 was examined, additional information of importance concerning retail store mortality was revealed. Roughly 25 per cent of the stores opening in 1930 closed in 1931. In 1932, 18 per cent more were gone. Approximately one-quarter of the firms which entered business in 1930 were still operating under their original ownership in 1937. Wide variation was apparent among the different trades. For example, only 16 per cent of the garages and automobile sales agencies and 17 per cent of the restaurants which started in business in 1930 were operating at the end of 1937. One-half the drug and hardware stores remained at the close of the period.

Turnover figures in the Indiana study are concerned with changes in ownership and management of retail outlets much more than with their failures. They probably change ownership and management as many as fifteen times before they finally are forced out of business as failures.

EWING GALLOWAY





MIDGET TROOP PLANE—ACME

BUSINESS DIARY



EVENT OF THE MONTH

Stalin's Communists eclipse Hitler's Nazis in headlines and as useful prop in sudden dinner conversation silences, as Russia attacks Finland.

- 1 TNEC opens investigation of steel industry. Fourteenth and final building completed in \$100,000,000 Rockefeller Center.
- 3 CONGRESS adjourns.
- 4 NEUTRALITY ACT signed by the President; combat area established. *City of Flint* freed by Norway. United States warns Japan of economic pressure if present program in China continues.
- 6 SUPREME COURT forbids Federal suppliers to add wage tax; denies State right to tax for recording HOLC mortgages.
- 7 ELECTIONS throughout nation rather apathetic with exception of California and Ohio, where pension "ham and egg" plans are defeated.
- 8 FEDERAL COURT orders Republic Steel to reinstate 5,000 with \$7,500,000 "lost pay." Fifteen-minute margin saves Hitler from Munich bomb explosion.
- 10 MICHIGAN State Board denies unemployment compensation to idle Chrysler employees. Canadian dollar sinks to 87 cents, lowest point since 1933.
- 11 "ARMISTICE" DAY.
- 12 BRITAIN announces withdrawal of troops from China.
- 15 REAR ADMIRAL Richard E. Byrd sails from Boston for Antarctic.
- 16 ASSOCIATE Supreme Court Justice Butler dies. Federal jury in Indiana finds General Motors guilty in monopoly suit. Al Capone's prison term ends.

DURING THE MONTH

Routine markets typify a rather dull month in which the double Thanksgiving proved the most notable domestic news. . . . Allies suffer heavy losses at sea.

- 18 DUBINSKY announces break between Garment Workers' Union and Amalgamated Clothing Workers.
- 19 ASSISTANT Attorney-General Arnold warns labor unions they are liable to prosecution under anti-trust laws.
- 21 BRITAIN extends contraband seizure to Reich exports as retaliation for indiscriminate mine campaign.
- 22 SUPREME COURT voids four city ordinances curbing handbills and circulars as violations of constitutional guarantee of free speech; sustains dismissal of eleven defendants in Madison oil suit.
- 23 EARLY Thanksgiving observed by Federal Government (including D. C.) and by 25 States: California, Delaware, Georgia, Illinois, Indiana, Louisiana, Maryland, Michigan, Missouri, Montana, New Jersey, New York, North Dakota, Ohio, Oregon, Pennsylvania, South Carolina, Utah, Virginia, Washington, West Virginia, Wyoming, and Colorado, Mississippi, and Texas which three celebrated both the twenty-third and thirtieth.
- 24 WAR RESOURCES BOARD dissolved by Roosevelt.
- 28 CHRYSLER 54-day labor dispute settled.
- 29 KUHN, German Bund leader, convicted of grand larceny and forgery.
- 30 ICC grants Southern railroads rates uniform with North, effective March, 1940. Second and traditional Thanksgiving celebrated in 26 States: Alabama, Arizona, Arkansas, Connecticut, Florida, Idaho, Iowa, Kansas, Kentucky, Maine, Massachusetts, Minnesota, Nevada, Nebraska, New Hampshire, New Mexico, North Carolina, Oklahoma, Rhode Island, South Dakota, Tennessee, Vermont, Wisconsin, and last three of list for twenty-third.



PANORAMA FROM CLIFFTOP, WEEHAWKEN, N. J.—CUSHING

THE TREND OF BUSINESS

PRODUCTION PRICES TRADE FINANCE

Business activity, in an unusually sharp recovery during the last half of 1939, has recently surpassed the all-time peak in industry and equalled the best records in recent years for retail trade. Since the sudden about-face in September, however, there has been evident a sobering-up of business sentiment, which has left forward buying, stock prices, and capital financing at relatively low levels.

FOR the first time since the boom days of a decade ago, the physical volume of industrial production is exceeding the record highs reached in mid-1929. A more-than-seasonal expansion in consumer purchasing reflects a substantial increase in income payments to individuals. Railroads and utilities have entered upon their heaviest buying programs in years, residential construction continues active, and industrial concerns are adding to capital equipment to handle an order-backlog which in some lines is the largest in more than a decade.

And yet the year closes on a comparatively cautious note. Commercial and industrial buyers, who in Septem-

ber and early October were ordering ahead five and six months, have recently restricted purchases to current needs or to moderate covering within the next three months.

Particularly since mid-November has there been evidence of serious doubt among many that industry, which received its initial stimulus from a broad forward buying movement, can at current levels of buying activity maintain present operating rates after the backlogs of orders, then built up, have been exhausted.

Production, according to the FRB adjusted index was 124 per cent of the 1923-1925 level in November, having

advanced more than one-third from the year's low point in May.

Preliminary reports for December indicate that the decrease in activity during that month was less than the usual seasonal drop and that the adjusted index therefore rose above the 1929 high. No allowance is made in this index for long-time trend; consideration of the effects of population growth would leave little reason for rejoicing over the record.

Record operations in the steel industry have been a weighty factor in the new peak for industry. In November, when the operating rate in steel mills averaged 93 per cent of capacity, a total of 5,463,000 tons of ingots was produced. This exceeded the previous record of 5,394,000 tons set during October. Operations in the machine tool industry advanced for the eleventh successive month to 91 per cent of capacity in November against 85 per cent in October. Automobile output rebounded to a weekly average of 117,000 units in the first half of December, compared with about 102,000 a year ago.

New freight cars on order for Class I railroads on December 1 numbered 36,198, or 7,267 more than a month ago, and the largest total since August, 1937. Orders for heavy industrial electrical equipment in October, reported by NEMA, were the heaviest recorded in recent years except early 1937. Order-backlogs in the aircraft industry have been estimated to aggregate close to \$500,000,000.

It has been well heralded that the recovery, as is usual, has been most spectacular in the durable goods industries. The indexes of physical volume of manufacturing production of the Federal Reserve Board, adjusted for seasonal variation, indicate the extent of this (for each series 1923-1925 = 100):

	June 1929	July 1932	Dec. 1936	May 1938
All Manufacturing...	127	57	121	76
Durable	134	29	116	51
Non-durable	119	81	126	93
1939	May	Sept.	Oct.	Nov.
All Manufacturing...	91	111	121	124
Durable	71	103	123	130
Non-durable	108	117	119	118

In November, 1939, and also at the 1929 high, durable goods production as measured by these indexes was slightly more than half of all production; at the production low of the great depression (July, 1932) it had dropped to about one-fourth of the total; and last May (the 1939 production low) it was about one-third of the total. Both of these classes include both producers' and consumers' goods; durable includes passenger automobiles and refrigerators as well as machine tools; non-durable includes the lubricating oil used in the factory as well as the salad oil for the evening meal. The production of durable goods increased 83 per cent from May to November; non-durable approximately 9 per cent.

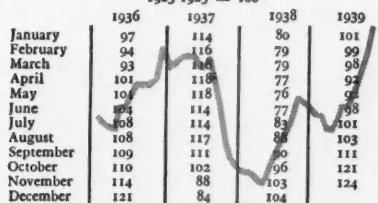
Income payments to individuals, after a sharp improvement since April, approximate the highest total for 1937. Dividends scheduled for disbursement in December, estimated at \$550,000,000, compare with \$368,000,000 in December, 1938, and \$522,000,000 in 1937. Cash farm income decreased by less than the usual seasonal amount in November, and during early December profited from a strong uptrend in prices. The factory payrolls index (USBLS) was 101.8 in November, compared with 84.4 a year ago and 93.3 two years ago.

Consumer buying made an unusually good showing in November, as revealed in the rise of the department store sales index (adjusted) to 94 per cent of the 1923-1925 average and of the Trade Barometer (adjusted) to 96.5 per cent of its 1928-1932 level. The department store sales figure, 6 per cent above last year, approximately equalled the highest point of the 1936-1937 recovery movement. The more comprehensive trade index was still below the peak of 103.2, in March, 1937.

Foreign trade, in contrast to the better-than-seasonal expansion in retail buying, was off more than seasonally in November.

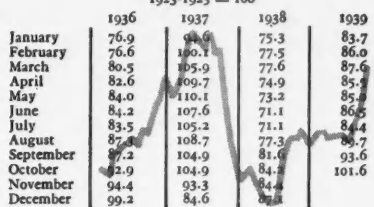
Industrial Production

Federal Reserve Board Adjusted Index
1923-1925 = 100



Factory Payrolls

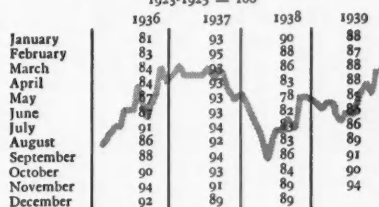
U.S.B.L.S. Index (Revised)*
1923-1925 = 100



* Adjusted to Census totals for 1937.

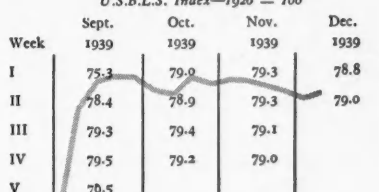
Department Store Sales

Federal Reserve Board Adjusted Index
1923-1925 = 100



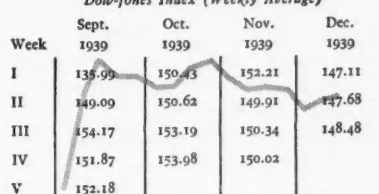
Wholesale Commodity Prices

U.S.B.L.S. Index—1926 = 100



Industrial Stock Prices

Dow-Jones Index (Weekly Average)

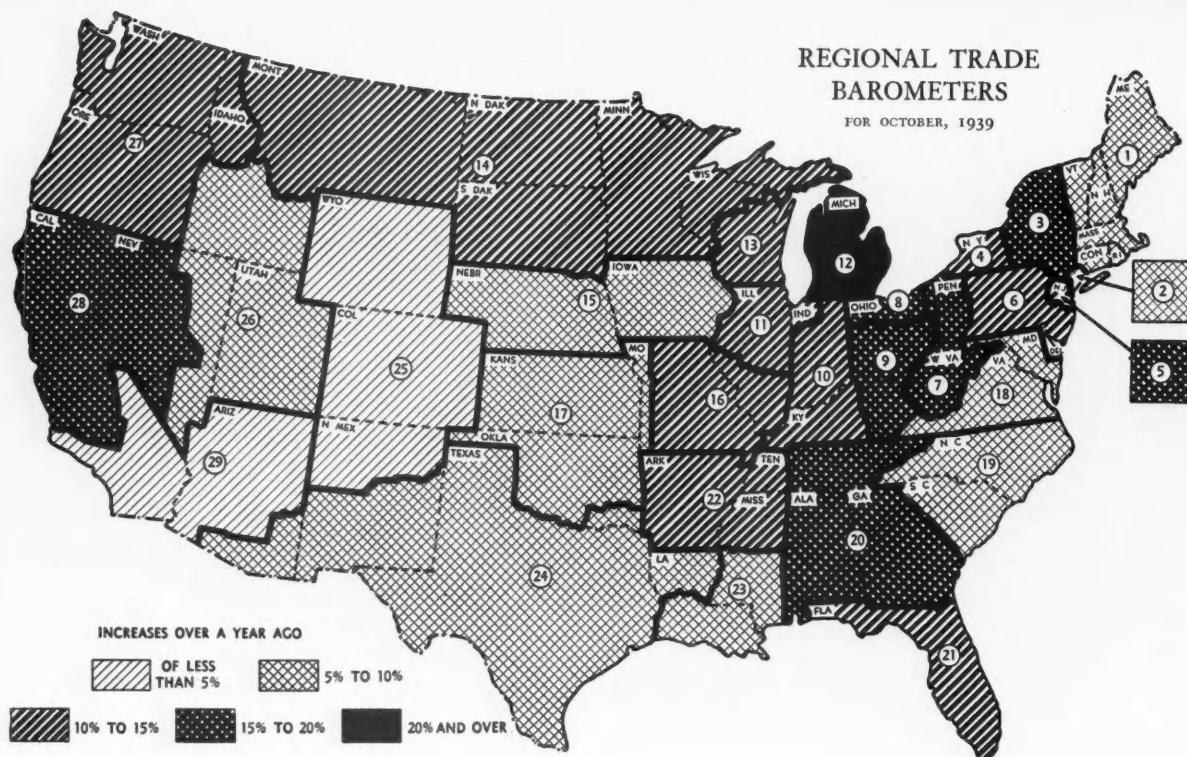


Inventories, although expanding in the last few months, do not yet show excessive accumulation, so far as can be judged by the limited data available. Reports to NICB by a representative group of manufacturers reveal that holdings in October averaged about 14 per cent above the 1936 level, but were relatively low when compared with the increased volume of business activity. Fragmentary data on wholesalers' and retailers' holdings indicate, on the average, that the expansion over last year is much smaller in stocks of goods than in volume of sales.

Commodity prices receded moderately during November but in early December more than recovered the ground that had been lost. The rise in December, which was pronounced in farm commodities, particularly cotton and wheat, brought the BLS wholesale price index to 78.7 in the third week of the month, against 81.5 a year ago, and the DUN & BRADSTREET daily index to a new two-year high of 124.19 on December 18, compared with 104.49 in 1938.

Security prices for the most part remained indifferent to the recent gains in commodity prices and in business activity. The Dow-Jones composite average of industrial stocks was moderately lower in the third week of December than it had been two months earlier. Transactions on the Exchange during the first 22 days of the month averaged 667,957 shares daily, compared with 949,397 in October and 2,283,657 in September.

Bond prices were slightly under the November level, but well above the low of early September. Corporate financing, reported by *The Commercial and Financial Chronicle*, aggregated \$112,200,208 in November, compared with \$175,513,584 in October and \$90,194,150 in September. Issues during the past three months have been sharply below the totals for the corresponding period in 1938, flotations for new capital amounting to less than one-third last year's figure.



TRADE INDEX RISES SHARPLY

The United States Trade Barometer rose to 96.5 (preliminary) in November from 87.8 in October. Barometer figures are compiled by Dr. L. D. H. Weld, Director of Research, McCann-Erickson, Inc.; trade information is reported by the branch offices of DUN & BRADSTREET, INC.

CHRISTMAS buying during the first two weeks of December failed to reach the high level which had been anticipated by many retailers, but in the third week of the month, last-minute purchases more than made up for the lag in the earlier period. In New York, for example, holiday buying reached a new all-time peak, and the largest crowds in history thronged the city's stores. Business was particularly brisk in jewelry, hosiery, sweater, toiletries, and accessory departments. Sales as a whole averaged 4 to 5 per cent higher than during the similar 1938 period. Continuation of unusually warm weather hampered the movement of heavy wearing apparel to some extent, but sales of furniture, rugs, electrical novelties, and luxury items exceeded expectations.

Wholesale markets were seasonally dull during the first half of December as holiday requirements slackened and as commitments for Spring merchandise were placed

cautiously and in small volume. Orders for men's clothing were the chief exception, as some lightweight lines were booked in record quantities.

November trade results were very satisfying, despite comparatively unfavorable shopping weather during part of the month. Demand was encouragingly broad in retail divisions, although emphasis was placed on women's apparel and accessories, as well as on seasonable Thanksgiving items. The United States Trade Barometer jumped about 10 per cent to a level of 96.5, as compared with 87.8 in October and 89.4 in November, 1938. The November index is the highest for any month since May, 1937.

Wholesaling during November was chiefly characterized by a demand for replacements of accessories, furnishings, housewares, and notions, and by orders and reorders of gift merchandise. Forward buying was not of significant proportions, as most retailers continued to stick to the

middle of the road where their purchases for more than two or three months ahead were concerned.

In October, for which there are now available the most recent Regional Barometer figures, only twelve of the twenty-nine regions scored increases over the previous month, but some of the advances were of good proportions. The U. S. figure showed a net gain of 1.2 per cent to 87.8, a level about 12 per cent above last year. The largest declines in trade activity were in the New England, North and South Carolina, and New Orleans regions, but none of the drops exceeded 7 per cent.

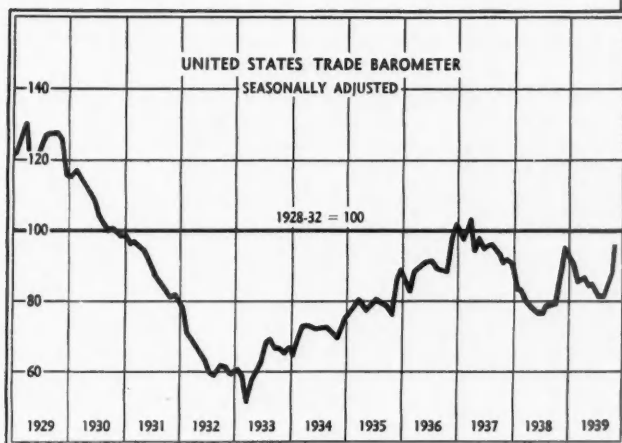
Increases of 10 and 9 per cent, respectively, were registered in the St. Louis and Los Angeles areas. The Los Angeles increase is particularly worthy of note since this region had been showing month-to-month decreases since July.

All twenty-nine regions once more reported percentage gains over the same month in 1938. Regions with increases of more than 15 per cent included: Albany and Syracuse, Northern New Jersey, Pittsburgh, Cleveland, Cincinnati and Columbus, Detroit, Atlanta and Birmingham, and San Francisco.

THE MAP AND CHART compare the October, 1939, indexes with those for the same month a year ago. The column at the extreme right of the chart indicates the relative importance of the regions: the figures are percentages of national retail trade from the 1935 Census of Business.

THE INDEXES for the regions are charted, with U. S., from 1937, on pages 34-37. They are composites based on: bank debits (Federal Reserve Board), department store sales (Federal Reserve Board), new car registrations (R. L. Polk & Company), and life insurance sales (Life Insurance Sales Research Bureau). In regions 2, 3, 4, 5, and 14, wholesale sales (Department of Commerce), and in region 2, advertising linage (*Editor and Publisher*), which were found to make those indexes more accurate, are included. In region 15, department store sales have been omitted. Each index is separately adjusted for seasonal variation and for the number of business days in each month. All are comparable. The monthly average for the five years 1928-1932 equals 100. The preliminary figure for the United States is computed one month before regional figures are available.

THE PARAGRAPHS printed opposite the 29 regional charts quote figures for October based on samples of department and retail stores reporting to the Federal Reserve banks; for November and for the first half of December based on opinions and comments of business men in various lines of trade, gathered and weighed by the local DUN & BRADSTREET offices.



REGIONAL TRADE BAROMETERS

REGION	Oct. 1939 Regional Index	Oct. 1939 Compared with Oct. 1938 (%)				Retail 1935 Sales %	
		-10	0	+10	+20		+30
U. S.	87.8					+11.8	100.0
1. NEW ENGLAND	75.4					+ 6.3	7.8
2. NEW YORK CITY	74.3					+ 8.3	10.3
3. ALBANY AND SYRACUSE	91.0					+16.8	2.6
4. BUFFALO AND ROCHESTER	81.1					+12.6	1.9
5. NORTHERN NEW JERSEY	81.7					+16.5	2.9
6. PHILADELPHIA	80.4					+12.0	6.2
7. PITTSBURGH	85.7					+19.4	3.7
8. CLEVELAND	99.4					+19.8	2.9
9. CINCINNATI AND COLUMBUS	103.6					+16.7	3.1
10. INDIANAPOLIS AND LOUISVILLE	102.6					+11.2	2.6
11. CHICAGO	83.9					+10.1	6.4
12. DETROIT	97.0					+20.2	4.0
13. MILWAUKEE	89.1					+10.1	2.2
14. MINNEAPOLIS AND ST. PAUL	95.8					+10.5	4.5
15. IOWA AND NEBRASKA	76.7					+ 8.3	3.0
16. ST. LOUIS	94.3					+12.4	2.5
17. KANSAS CITY	85.3					+ 5.7	3.6
18. MARYLAND AND VIRGINIA	102.4					+ 8.0	3.8
19. NORTH AND SOUTH CAROLINA	96.3					+ 8.6	2.1
20. ATLANTA AND BIRMINGHAM	112.1					+17.9	3.5
21. FLORIDA	126.8					+10.6	1.3
22. MEMPHIS	97.2					+13.0	1.5
23. NEW ORLEANS	96.2					+ 5.5	1.0
24. TEXAS	104.0					+ 9.0	4.5
25. DENVER	104.2					+ 3.8	1.3
26. SALT LAKE CITY	95.8					+ 8.6	.8
27. PORTLAND AND SEATTLE	90.8					+14.1	2.7
28. SAN FRANCISCO	88.0					+19.6	3.4
29. LOS ANGELES	89.0					+ 3.9	3.9

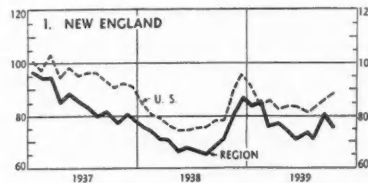
THE REGIONAL TRADE BAROMETERS

These indexes of consumer purchasing are corrected for seasonal variation; the monthly average for the five years 1928-1932 equals 100 (see preceding page). Charts showing the curves since January, 1928, were published in the September,

1939, number and will appear semi-annually. Additional information about the indexes and about their especial usefulness in regional sales quota work, back figures, and data about regional boundaries are available for users of the indexes.

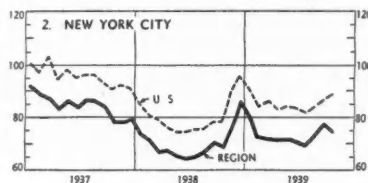
1. NEW ENGLAND

OCT., 75.4 SEPT., 80.1 OCT. 1938, 70.9
OCTOBER—Percentage department store sales changes from previous October: Boston +1, Providence -6, New Haven -3. NOVEMBER—Percentage retail trade increases over previous November: Bangor-Portland-New Bedford-Springfield-Hartford-New Haven 10, Manchester 8, Boston 9, Worcester 15, Providence 3. Wholesale trade increases: Portland 5, Boston-Springfield 10. Potato prices steady; sales rather slow. Payrolls and production above last year's level. Machine tool industry operating at capacity. Textiles, aircraft, arms, and electrical goods also active. Collections fair to good. DECEMBER—Holiday buying heavier than last year. Industrial orders lagging; production steady.



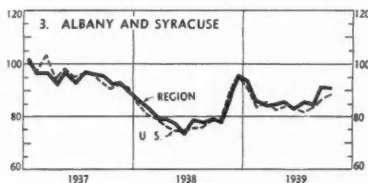
2. NEW YORK CITY

OCT., 74.3 SEPT., 77.1 OCT. 1938, 68.6
OCTOBER—Percentage department store sales increases over previous October: New York and Brooklyn 4, Bridgeport 1, Westchester-Stamford 2. NOVEMBER—Percentage retail trade changes from previous November: Bridgeport +10, New York City department store sales +2, parcel deliveries +5, hotel sales -8. Seasonal declines in apparel output resulted in decreases in New York City employment of 2%, payrolls 3% from last year. Bank clearings 1% below 1938 in New York City, 13% above last year in Westchester County. Collections fair. DECEMBER—Retail sales slightly ahead of last December, after slump in first week of month. Wholesale markets seasonally quiet, above last year.



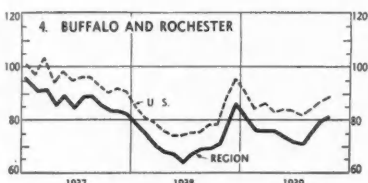
3. ALBANY AND SYRACUSE

OCT., 91.0 SEPT., 91.8 OCT. 1938, 77.9
OCTOBER—Percentage department store sales increases over previous October: Syracuse 12, Northern State 6, Central State 14. NOVEMBER—Percentage retail trade increases over previous November: Albany-Utica-Syracuse 10, Binghamton 5. Wholesale trade increases: Albany 10, Syracuse 6. Farm income affected by drought of last Summer; milk production low. November drought dried up wells and streams. Payrolls and production generally above last year. Metal and machine plants working at capacity. Textile activity improved. Binghamton shoe and film industries rather slow. Collections fair to good. DECEMBER—Retail sales continue to gain. Manufacturing somewhat slower in Albany and Binghamton.



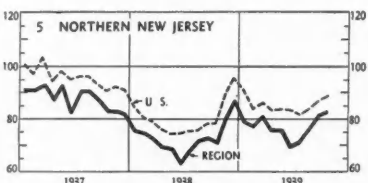
4. BUFFALO AND ROCHESTER

OCT., 81.1 SEPT., 79.1 OCT. 1938, 72.0
OCTOBER—Percentage department store sales increases over previous October: Buffalo 7, Rochester 9, Niagara Falls 3. NOVEMBER—Percentage retail trade increases over previous November: Buffalo 10, Jamestown 32, Elmira 5, Rochester 6. Net farm income 5% above last year. Payrolls and production generally above last year. Steel production near capacity levels. Flour milling increased. Electric power output above last month and last year. Metal and chemical industries active. Collections fair to good. DECEMBER—Retail sales somewhat slower, but 5% above same period of 1938 during first week of month. Factory employment and payrolls steady with November. Steel production active.



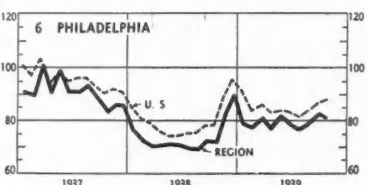
5. NORTHERN NEW JERSEY

OCT., 81.7 SEPT., 81.3 OCT. 1938, 70.1
OCTOBER—Northern New Jersey department store sales 3% above previous October level. NOVEMBER—Newark retail trade increased 10% over previous November. Newark wholesale trade up 15% from a year ago. Trade changes from October: retail sales +9, wholesale -5. Production, sales, employment, and payrolls above last year, steady to down in comparison with last month. Building activity continues good. Airplane manufacturing active. Bank clearings 16% above last year in Newark, off 7% in Northern New Jersey as a whole. Collections better than last month and last year. DECEMBER—Department store sales off about 2% from last year. Manufacturing showing increase of 5 to 10%.



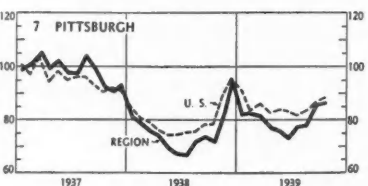
6. PHILADELPHIA

OCT., 80.4 SEPT., 83.2* OCT. 1938, 71.8
OCTOBER—Percentage department store sales changes from previous October: Trenton +10, Scranton +3, Philadelphia-Wilkes-Barre +7, Harrisburg +1, Wilmington +11. NOVEMBER—Percentage retail trade increases over previous November: Allentown 20, Philadelphia 11, Reading 15, Scranton-Wilkes-Barre 2, Williamsport 5, Harrisburg-York 8, Wilmington 7. Philadelphia wholesale trade 5% above last year. Farm prices steady. Payrolls and production above last year's level. Textile shipments considerably above 1938; lastex fabrics show fairly good activity. Munitions manufacturing increased. DECEMBER—Christmas buying 10% above last year's level. Handbags, gloves, and jewelry moving especially well.



7. PITTSBURGH

OCT., 85.7 SEPT., 85.1 OCT. 1938, 71.8
OCTOBER—Percentage department store sales increases over previous October: Erie 8, Pittsburgh 12, Wheeling 14, West Virginia State 5. NOVEMBER—Percentage retail trade increases over previous November: Erie 8, Pittsburgh-Youngstown 13, (Continued directly opposite)

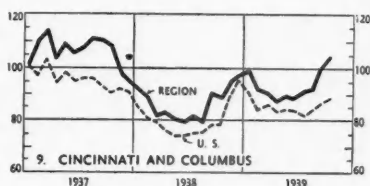
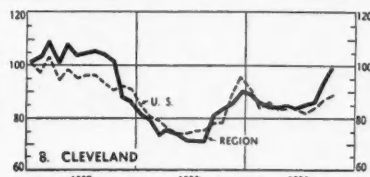


Huntington 25, Charleston 9. Wholesale trade increases: Erie 15, Pittsburgh 18, Charleston 5. Payrolls and production steady to above last year. Steel orders levelled off somewhat; production at practical capacity. Chemical, coal, and glass production increased. Collections generally good. DECEMBER—Holiday shopping 12 to 18 per cent more active than in 1938. Steel production active, though somewhat below previous month.

* Revised.

8. CLEVELAND

OCT., 99.4 SEPT., 93.4 OCT. 1938, 83.0
OCTOBER—Percentage department store sales increases over previous October: Cleveland 14, Akron 21, Toledo 11. NOVEMBER—Percentage retail trade increases over previous November: Cleveland 10, Akron 12, Canton 30, Lima 15, Toledo 12. Wholesale trade increases: Cleveland 15, Akron 2, Toledo 10. Production and payrolls steady to above last year and last month. Cleveland steel output at peak of available capacity. Machine tool industry active. Toledo automotive industry affected by Detroit strikes. Collections fair to good. DECEMBER—Department store sales continue about 3% above last year. Employment openings and placements well above 1938. Automobile sales slightly lower.

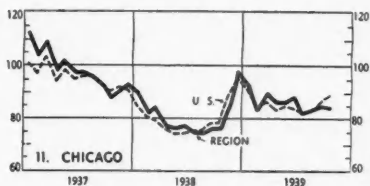
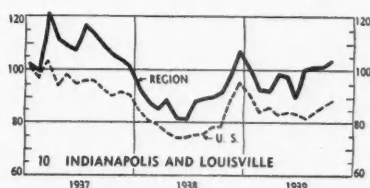


9. CINCINNATI AND COLUMBUS

OCT., 103.6 SEPT., 99.6 OCT. 1938, 88.8
OCTOBER—Percentage department store sales increases over previous October: Cincinnati 9, Columbus 10. NOVEMBER—Percentage retail trade increases over previous November: Cincinnati-Columbus-Zanesville 10, Dayton 15. Wholesale trade increases: Cincinnati 15, Columbus 10. Tobacco crop normal; prices equal to last year. Total farm income above 1938. Payrolls and production above corresponding period of last year. Substantial backlogs of machine tool and steel orders; plants operating at capacity. Collections fair to good in comparison with a year ago. DECEMBER—Holiday shopping volume somewhat below expectations. Department store sales 5 to 8% above 1938 level.

10. INDIANAPOLIS AND LOUISVILLE

OCT., 102.6 SEPT., 100.2 OCT. 1938, 92.3
OCTOBER—Percentage department store sales changes from previous October: Louisville -2, Indianapolis +14, Fort Wayne +20. NOVEMBER—Percentage retail trade increases over previous November: Louisville 0, Evansville-Terre Haute 10, Indianapolis 4, Fort Wayne 6. Wholesale trade changes: Louisville -5, Indianapolis +10. Tobacco crop large and in good condition; market unopened as yet. Payrolls and production steady to above last year. Manufacturing of wood products and allied lines showing increased volume. Collections fair to poor. DECEMBER—Retail sales 5% above corresponding period of last year. Wholesale volume about 4% higher than in 1938. Manufacturing continues active.

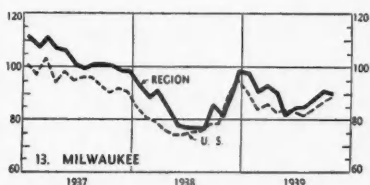
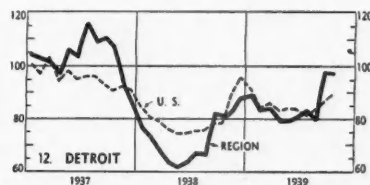


11. CHICAGO

OCT., 83.9 SEPT., 84.8 OCT. 1938, 76.2
OCTOBER—Chicago department store sales 12% above corresponding period of last year. NOVEMBER—Percentage retail trade increases over previous November: Chicago 3, Rockford 15, South Bend 24. Chicago wholesale trade 5% above the year-ago level. Crop yields good. Cash farm income above last year. Production and payrolls generally improved during month, well above last year's levels. South Bend automotive employment and payrolls 10 to 31% higher than a year ago. Collections steady to better than a month ago, generally better than last year. DECEMBER—Retail trade somewhat spotty during first part of month; volume about 6% ahead of last year's comparatives.

12. DETROIT

OCT., 97.0 SEPT., 97.2 OCT. 1938, 80.7
OCTOBER—Detroit department store sales 9% above previous October. NOVEMBER—Percentage retail trade increases over previous November: Detroit 6, Grand Rapids 15, Saginaw 10. Wholesale trade increases: Detroit 12, Grand Rapids 16. Apple crop excellent; surplus stocks being stored for higher winter prices. Payrolls and production off from last year in Detroit, automobile production reduced due to Chrysler strike. Activity in other cities improved in comparison with last year. Grand Rapids furniture factories report a fair volume of orders; metal manufacturing active. Collections fair to good. DECEMBER—Automobile production increased after strike settlement. Retail sales increased considerably.

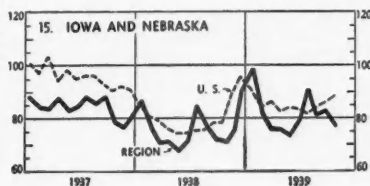
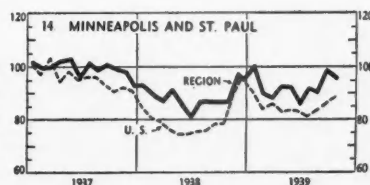


13. MILWAUKEE

OCT., 89.1 SEPT., 90.6 OCT. 1938, 80.9
OCTOBER—Milwaukee department store sales 8% above previous October level. NOVEMBER—Percentage retail sales changes from previous November: Milwaukee +2, Madison -4, Green Bay +5. Milwaukee wholesale trade up 2% from the year-ago level. Prices of pork and dairy products lower. Payrolls and production above last year. Green Bay paper mills still operating at full capacity; orders falling off, production catching up on backlogs. Machine tool and metal industries very active. Ore shipments closing a successful season. Collections fair to good. DECEMBER—Retail sales slightly above last year's level. Bank clearing totals off somewhat from the corresponding period of 1938.

14. MINNEAPOLIS AND ST. PAUL

OCT., 95.8 SEPT., 98.0 OCT. 1938, 86.7
OCTOBER—Minneapolis-St. Paul-Duluth-Superior department store sales 7% above previous October level. NOVEMBER—Percentage retail trade increases over previous November: Duluth-Fargo 0, Minneapolis-Sioux Falls 5, St. Paul 14, La Crosse 6, Billings 2, Great Falls 10; Butte sales off 4% from a year ago. Wholesale trade increases: Duluth 0, Minneapolis 5, Great Falls 10. Winter wheat and rye crops damaged in early months by drought; new dry record set in Minnesota during month. Payrolls and production steady to above last year. Flour milling steady. Copper and zinc smelting 20% above 1938. DECEMBER—Unusually high temperatures hampered retail trade; sales averaged about 7% above 1938.

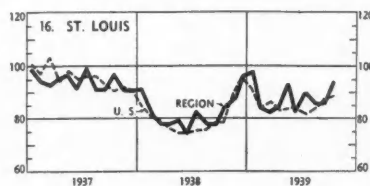


15. IOWA AND NEBRASKA

OCT., 76.7 SEPT., 82.3 OCT. 1938, 70.8
OCTOBER—Omaha department store sales 4% below previous October level. NOVEMBER—Percentage retail trade changes from previous November: Burlington-Sioux City +10, Cedar Rapids-Dubuque-Waterloo-Lincoln 0, Davenport +15, Des Moines +5, Omaha -4. Wholesale trade changes: Sioux City 0, Des Moines-Omaha +5. Excellent corn harvest; crop being held by farmers. Hog prices lower. Winter wheat damaged by lack of moisture. Payrolls and production steady to above last year. Activity increased in heavy machinery lines. Food processing less active than previously. Dubuque woodworking mills running at full capacity. Collections fair. DECEMBER—Little change in trade conditions.

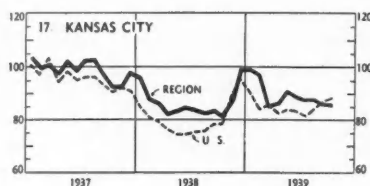
16. ST. LOUIS

OCT., 94.3 SEPT., 85.4 OCT. 1938, 83.9
OCTOBER—Percentage department store sales increases over previous October: St. Louis 7, Springfield (Mo.) 5, Quincy 4. NOVEMBER—Percentage retail sales increases over previous November: St. Louis—Quincy 5, Springfield (Mo.) 2, Springfield (Ill.) 10. St. Louis wholesale trade steady with previous November level. Excellent corn crop; large part being sealed in Government warehouses. Farm prices fair. Payrolls and production steady to above last year. Apparel manufacturing 20% above 1938 in some instances, although the trend of orders was slightly downward. Collections fair. DECEMBER—Christmas buying somewhat slower than anticipated. Commitments for Spring deliveries generally cautious.



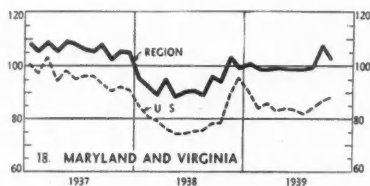
17. KANSAS CITY

OCT., 85.3 SEPT., 86.3 OCT. 1938, 80.7
OCTOBER—Percentage department store sales changes from previous October: Kansas City +3, Wichita +2, Oklahoma City —4, Tulsa —2. NOVEMBER—Percentage retail trade changes from previous November: Kansas City—Topeka +5, St. Joseph —3, Oklahoma City—Tulsa —5. Wholesale trade changes: Kansas City 0, Oklahoma City —3. Drought affected Winter wheat adversely; outlook for early Spring generally poor. Some moisture benefited crops in some sections. Payrolls and production steady to below last year. Packing 8% ahead of 1938. Milling down 12% from a year ago. Airplane industry active. Collections fair. DECEMBER—Holiday purchases well ahead of last year. Wholesaling improved.



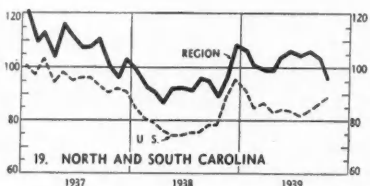
18. MARYLAND AND VIRGINIA

OCT., 102.4 SEPT., 107.0 OCT. 1938, 94.8
OCTOBER—Percentage department store sales increases over previous October: Baltimore 8, Washington 1, Richmond 3, Virginia State 2. NOVEMBER—Percentage retail trade increases over previous November: Baltimore 6, Washington 11, Norfolk-Bristol 10, Richmond-Lynchburg 3, Roanoke 2. Wholesale trade increases: Baltimore 5, Norfolk-Richmond 10. All crops except oats, rye, and apples above the ten-year average. Largest flue-cured tobacco crop since 1920; opening of tobacco markets delayed. Payrolls and production generally above last year. Furniture industry active. Paper, hosiery, and rayon mills operating at capacity. DECEMBER—Retail sales spotty, with holiday buying relatively slow.



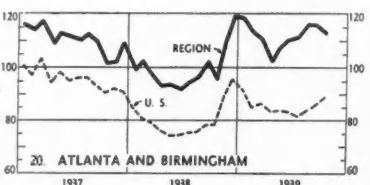
19. NORTH AND SOUTH CAROLINA

OCT., 96.3 SEPT., 103.1 OCT. 1938, 88.7
OCTOBER—Percentage department store sales changes from previous October: North Carolina —3, South Carolina +5. NOVEMBER—Percentage retail sales increases over previous November: Asheville-Wilmington 2, Winston-Salem—Charlotte 6, Raleigh-Charleston 5, Columbia 12, Greenville 14. Wholesale trade increases: Wilmington 3, Charleston 0, Winston-Salem 10. Tobacco crop good; cotton fair. Fall cabbage crop saved by timely rain. Payrolls and production steady to above last year. Textile mills operating at full capacity. Building activity at all-high record. Good tourist season anticipated. Collections fair to good. DECEMBER—Bank debit totals about even with last year.



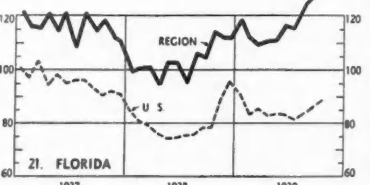
20. ATLANTA AND BIRMINGHAM

OCT., 112.1 SEPT., 115.3 OCT. 1938, 95.1
OCTOBER—Percentage department store sales increases over previous October: Atlanta 7, Birmingham 10, Montgomery 4, Nashville 9. NOVEMBER—Percentage retail sales increases over previous November: Atlanta 16, Augusta-Savannah 20, Columbus 25, Macon 8, Birmingham 15, Montgomery 18, Mobile 5, Chattanooga 10, Nashville 9. Wholesale trade increases: Atlanta 20, Birmingham 10, Nashville 15. Most of large cotton crop sold; prices low. Payrolls and production steady to above last year. Textile and building industries active. Building materials also show gain. Collections fair to good. DECEMBER—Retail sales continue about 7% above last year's level. Tobacco market open.



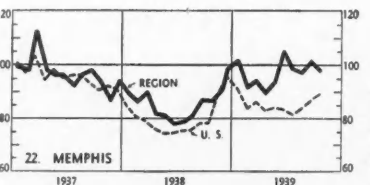
21. FLORIDA

OCT., 126.8 SEPT., 126.7 OCT. 1938, 114.6
OCTOBER—Florida department store sales well above corresponding 1938 level. NOVEMBER—Percentage retail sales increases over previous November: Jacksonville 6, Miami 10, Tampa 20. Wholesale trade increases: Jacksonville 11, Tampa 10. Citrus shipments increased, though not yet at peak. Orange prices dropped; grapefruit prices improved. Vegetable shipments not as heavy as usual. Payrolls and production above last year's level. Lumber output steady; deliveries off slightly from October. Naval stores also show steady volume. Jacksonville cigar manufacturing continues active. Collections fair. DECEMBER—Christmas buying well above last year. Wholesale activity steady. Tourist prospects good.



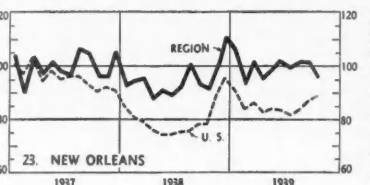
22. MEMPHIS

OCT., 97.2 SEPT., 100.9 OCT. 1938, 86.0
OCTOBER—Percentage department store sales changes from previous October: Memphis +4, Fort Smith —1, Little Rock +5. NOVEMBER—Percentage retail trade increases over previous November: Memphis 10, Fort Smith 3, Little Rock 5. Memphis wholesale trade 10% above previous year's level. Spinach being picked. Some Fall crops hurt by drought; conditions much better now. Good cotton crop mostly harvested. Payrolls and production steady to above last year. Poor season in coal industry. Lumber trade steady. Furniture plants active. Collections fair to good in comparison with last year. DECEMBER—Ideal shopping weather boosted retail sales. Sales of cotton increased after price upturn.



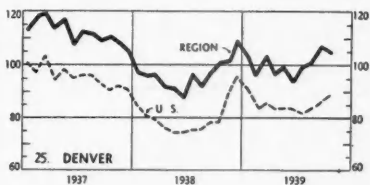
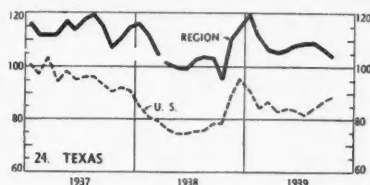
23. NEW ORLEANS

OCT., 96.2 SEPT., 101.9 OCT. 1938, 91.2
OCTOBER—New Orleans department store sales 6% above previous October level. NOVEMBER—Percentage retail trade changes from previous November: New Orleans +10, Jackson +11, Meridian —12. New Orleans wholesale trade up slightly from last year. Cane crop being harvested. Payrolls and production steady to below last year, steady in month. Sugar mills working full time. Oil production continues on the upgrade. Shirt factory in Meridian closed for remainder of year. Collections steady with last year, steady to improved since October. DECEMBER—Cotton sales for domestic consumption and for export about treble last year's level. Trade conditions comparatively unchanged.



24. TEXAS

OCT., 104.0 SEPT., 106.7 OCT. 1938, 95.4
 OCTOBER—Percentage department store sales changes from previous October: Dallas-Houston +4, Fort Worth +5, San Antonio -4. NOVEMBER—Percentage retail trade changes from previous November: Dallas-Amarillo-Lubbock +10, Fort Worth +1, Wichita Falls-Waco -5, El Paso 0, Houston +2, Galveston-Beaumont-Austin-Shreveport +5; San Antonio trade off slightly. Wholesale trade changes: Dallas +5, Houston +1, San Antonio +7, Fort Worth +4, Shreveport -5. Rains improved range conditions, benefited Winter grain crops. Fair grapefruit crop in Rio Grande Valley. Payrolls and production generally steady with last year. Lumber manufacturing active. DECEMBER—Department store sales about 2% ahead of 1938 level.

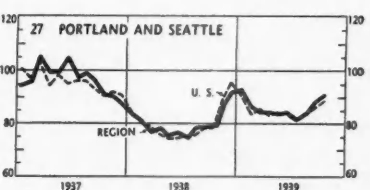
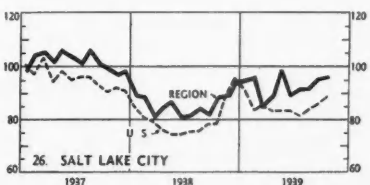


25. DENVER

OCT., 104.2 SEPT., 106.8 OCT. 1938, 100.4
 OCTOBER—Denver department store sales 1% below previous October level. NOVEMBER—Percentage retail trade changes from previous November: Denver +2, Albuquerque 0. Denver wholesale trade 1% above corresponding period of last year. Crop yields below last year; prices fairly favorable. Largest retail sales gain noted in housefurnishings departments. Wholesale trade slow in seasonal lines, with demand for better-grade merchandise fairly good. Payrolls and production holding even with October, about even with last year. Collections fair to slow. DECEMBER—Holiday business bolstered retail sales; volume averaging about 2% above last year. Wholesale trade slow in seasonal lines except gift items.

26. SALT LAKE CITY

OCT., 95.8 SEPT., 95.0 OCT. 1938, 88.2
 OCTOBER—Salt Lake City department store sales 5% below previous October level. NOVEMBER—Salt Lake City retail trade 15% above previous November level; wholesale trade up 10% from a year ago. Advance Christmas buying lifted retail sales 10% above September. Wholesale buying of hardware and electrical appliances showing good increase. Payrolls and production above last year. Metal mining and smelting steady. Coal mining below September due to open weather. Range conditions poor due to lack of moisture. First sugar beet payments higher than last year. Collections slower during the month. DECEMBER—Sales of toys and Christmas gifts well ahead of 1938.

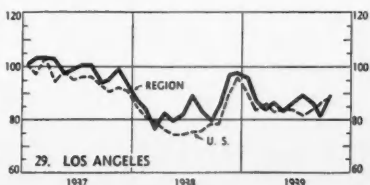
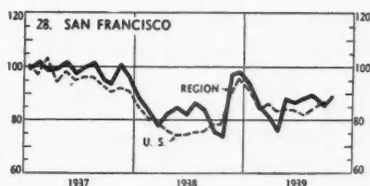


27. PORTLAND AND SEATTLE

OCT., 90.8 SEPT., 87.8 OCT. 1938, 79.6
 OCTOBER—Percentage department store sales increases over previous October: Seattle 6, Tacoma 4, Spokane-Portland 8. NOVEMBER—Percentage retail trade increases over previous November: Seattle 9, Tacoma 10, Spokane 3, Portland 0. Wholesale trade increases: Seattle 9, Portland 18. Leading crops generally in good condition. Payrolls and production steady to above last year. Lumbering active; lumber prices fairly strong. Salmon packing showing good increase over 1938. Collections good. DECEMBER—Holiday volume best in many years. Sales of Winter clothing increased with the advent of more seasonable weather. New home building at all-time high.

28. SAN FRANCISCO

OCT., 88.0 SEPT., 85.9 OCT. 1938, 73.6
 OCTOBER—San Francisco department store sales 53% above previous October, when effects of the strike were felt; Oakland sales 3% below last year. NOVEMBER—Percentage retail trade decreases from previous November: San Francisco-Fresno 5, Sacramento 10; Oakland sales down slightly from last year. San Francisco wholesale trade 5% above last year's level. Waterfront strike handicapped merchants in obtaining merchandise. Fruit season closed. Cotton picking active. Sales of fruit and cotton rather favorable. Payrolls and production vary in comparison with last year. Paper, electrical goods, and dry goods lines active. DECEMBER—Retail sales improved, but not up to expectations.



29. LOS ANGELES

OCT., 89.0 SEPT., 81.4 OCT. 1938, 85.7
 OCTOBER—Los Angeles department store sales 7% below previous October; Arizona sales 17% above last year. NOVEMBER—Percentage retail trade changes from previous November: Los Angeles -7, San Diego +3; Phoenix trade up a little from last year. Los Angeles wholesale trade slightly better than a year ago. Turkeys of fine quality, moving at lower prices than last year. New navel orange and avocado crops coming on market. Payrolls and production above last year's level. Aircraft, shipbuilding, steel, and men's apparel industries active. Fish canneries also busy. Collections good. DECEMBER—Retail sales increased to level slightly ahead of last year. Industry still active.

COTTON PICKING IN SOUTH CAROLINA—GALLOWAY PHOTO



INDUSTRIAL AND COMMERCIAL FAILURES

	NUMBER OF FAILURES			CURRENT LIABILITIES <i>Thousands of dollars</i>			TOTAL LIABILITIES <i>Thousands of dollars</i>			DUN'S INSOLVENCY INDEX †					
	1939	1938	1937	1939	1938	1937	1939	1938	1937	UNADJUSTED			ADJUSTED ‡		
Jan. . . .	1,263	1,377	841	19,122	21,415	12,003	23,192	27,162	14,992	69.3	76.2	47.7	56.3	62.0	38.8
Feb. . . .	963	1,149	755	12,788	21,028	14,004	12,795	25,501	22,887	62.5	75.2	50.6	54.3	65.4	44.0
Mar. . . .	1,057	1,167	861	17,851	40,325	22,591	18,164	80,373	78,878	58.1	64.8	47.1	57.5	64.2	47.1
Apr. . . .	1,064	1,172	818	17,435	21,147	12,893	20,693	29,355	13,628	58.5	65.1	48.3	56.8	63.2	47.4
May	1,028	1,123	875	14,664	19,139	13,088	19,501	19,831	14,965	54.3	59.8	47.6	53.8	59.2	47.6
June	847	1,073	703	11,460	15,918	12,829	11,616	16,892	16,737	50.3	64.1	41.1	52.4	67.5	43.3
July	885	1,038	651	14,128	14,761	12,780	22,763	15,008	13,955	48.3	57.2	37.9	54.3	64.3	42.1
Aug. . . .	859	1,015	736	11,259	16,382	14,950	11,714	17,252	19,473	46.8	53.8	39.7	55.1	63.3	46.7
Sept. . . .	758	866	584	9,402	14,341	9,818	10,586	15,183	11,308	42.9	51.6	35.2	51.1	61.4	41.9
Oct. . . .	916	997	815	16,140	13,219	14,079	16,795	16,960	15,381	49.7	54.7	45.2	54.0	59.4	49.1
Nov. . . .	886	984	842	11,877	12,302	16,400	13,550	17,281	17,709	54.3	53.9	52.7	52.2	51.8	51.2
Dec. . . .	875	1,009			36,528	27,818		54,736	36,963		56.7	58.0		56.1	58.0
Total	12,836	9,490			246,505	183,253		335,534	276,876		61.1	45.9			

† Apparent annual failures per 10,000 enterprises. ‡ For seasonal variation.

ANALYZING *the* RECORD of INDUSTRIAL and COMMERCIAL FAILURES

FAILURE RATE RISES IN NOVEMBER

DURING the month of November 886 concerns with current liabilities of \$11,877,000 failed. In October failures numbered 916 with liabilities of \$16,140,000 and in November 1938, 984 failures with debts of \$12,302,000.

Failures in November are always difficult to interpret. This month shares with February the characteristic of having fewer working days than the other months of the year, and adjustments which have to be made to correct for this often reverse the apparent direction of failures. So it is in the present instance. With not only fewer working days than in October, but fewer than were allotted to November 1938, adjustments reveal that, contrary to the evidence of fewer reported failures, the correct trend of November insolvencies was upward, and the general level similar to that of a year ago.

Dropping the discussion of failures, therefore, at this point in terms of reported numbers, and continuing in terms either of the insolvency index or

of the number of failures per day, we make possible more meaningful comparisons between the November record and that of October and of a year ago.

The insolvency index includes the correction for changes in number of working days from month to month, and in addition relates failures to the number of concerns in business. It is expressed as the apparent annual number of failures for every 10,000 concerns in business. In November the index stood at 54.3, compared with 49.7 in October, and 53.9 a year ago. An upward trend in November is seasonally expected as a part of the end of the year rise in failures. The current rise of 4.6 points, however, fell somewhat short of the average rise, as determined by the October to November change over a period of 50 years. The index when adjusted to remove the upturn due to season dropped 2 points, from 54.0 in October to 52.2 in November. This moderate drop in the adjusted index, which failed to carry the index down to its former low point of 51.1

in September indicates that failures as a whole have not yet responded in any marked degree to the improved business which is indicated by other business indexes.

The insolvency index reveals further that November failures were at about the same general level as in November 1938. A year ago failures fell sharply between October and November, as shown in the chart of the adjusted index on the following page. The drop marked the end of a five-month downward movement from a June peak which climaxed the sharp upward surge of failures following the break in business recovery in the latter part of 1937. Failures during 1939 have not reached the low level maintained for about a year previous to the 1937 break, but since last November have kept on a remarkably even keel, with possibly a slight downward trend in evidence.

Returning to the rise in the unadjusted index, let us see what lines of business accounted for the rise. On a daily basis failures were up 9.3 per cent

from October, and increased in every main industry group but wholesale trade, in which group failures were unchanged from October. The greatest rate of increase was in manufacturing where failures rose 12 per cent. Retail trade failures were 6.5 per cent higher, and in construction and commercial service lines the rise was 11 and 9 per cent respectively.

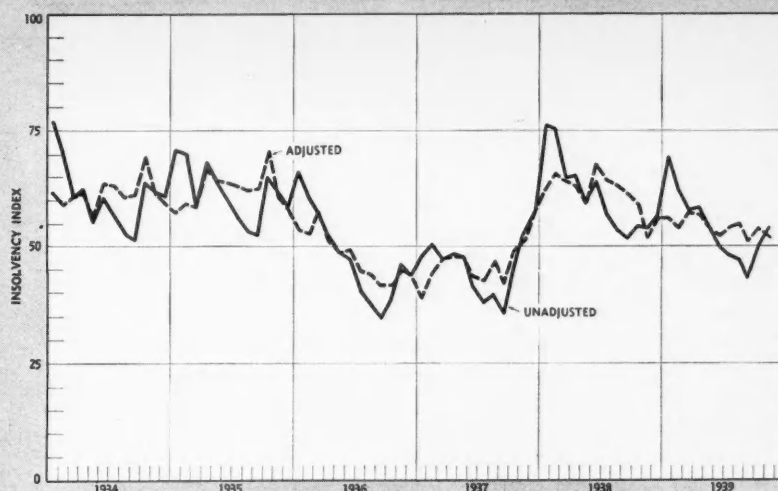
Increased failures was the rule in most of the individual lines of manufacture and trading. In manufacturing, failures were fewer than in October in only drug, paper, and machinery lines. Food failures were up 40 per cent and in textiles and clothing 22 per cent. Total manufacturing liabilities, however, were considerably reduced from October.

In wholesale trade, increased failures in most of the less important lines were balanced by decreases in the numerically important food group. Money losses in wholesale trade were also much reduced from October.

In retail trade, only restaurants, drug stores, automotive products retailers, and country general stores failed to experience increased failures in November. Apparel shop failures were up 50 per cent; food store failures up only 9 per cent. Money losses in all retail trade were slightly higher than those in October.

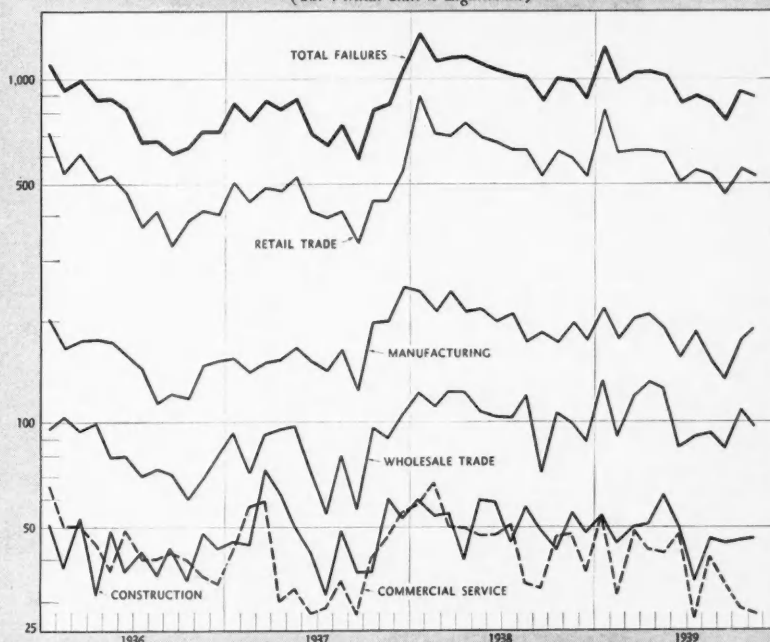
With the general level of failures only slightly higher than that prevailing a year ago, retail trade failures, which comprise nearly two-thirds of the entire record, were also nearly on a level of those of last year. On the other hand, manufacturing and wholesale trade failures were 10 per cent higher and the other groups, construction and commercial service, lower. There was some variety in the comparative levels of individual lines of business in November and a year ago. Failures among food manufacturers were currently more numerous than last year, but textile and clothing failures were fewer. Chemical and drug failures were higher, iron and steel and machinery failures lower. In whole-

MONTHLY TREND OF THE INSOLVENCY INDEX



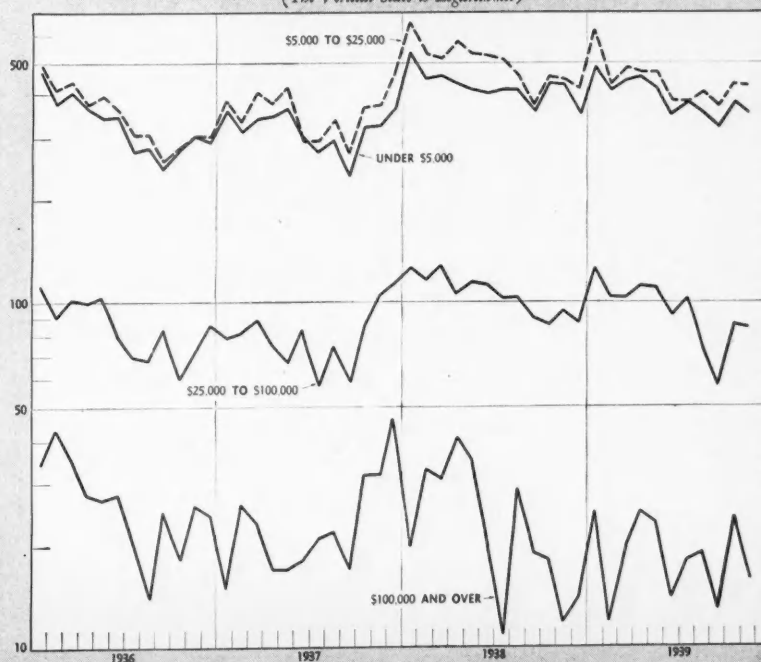
FAILURES BY INDUSTRIAL GROUPS

(The Vertical Scale is Logarithmic)



FAILURES BY SIZE OF LIABILITIES

(The Vertical Scale is Logarithmic)



sale trade, the large food group contained fewer failures than a year ago, but most other types of wholesale failures were higher. In retail trade, food failures were about equal in number with those of last November, apparel shop failures slightly higher, hardware and building materials much higher, drug stores about the same, furniture and automotive products lower.

By size, failures increased in November in all size groups except the largest. The large failures with liabilities in excess of \$100,000 dropped from 24 in October to 16 in November. Of these large failures fewer voluntarily sought reorganization, and fewer were thrown into involuntary bankruptcy. More, however, than in October sought an arrangement of their unsecured debts. Compared with the distribution by size a year ago, current failures of very small size were fewer, those with liabilities between \$5,000 and \$25,000 considerably more numerous, the larger failures with debts of \$25,000 to \$100,000 somewhat more numerous. A year ago there were only 12 very large failures compared with the 16 large ones in the month just passed.

A geographical distribution of November failures reveals that failures were up in the Federal Reserve Districts containing the largest cities, namely, the New York, Chicago, Philadelphia, and San Francisco districts, and were also up in the western districts of Minneapolis and Kansas City and in the one southern district of Dallas. Failures in the other southern districts of Richmond and Atlanta were down. They were also down in New England and in the St. Louis district.

FEDERAL RESERVE DISTRICT	Jan.-Nov. 1939	Jan.-Nov. 1938	Per Cent Change
Cleveland	671	907	-26
St. Louis	357	466	-23
Boston	855	1,106	-23
Richmond	486	591	-18
San Francisco	1,166	1,362	-14
Philadelphia	665	770	-14
New York	3,076	3,383	-9
Chicago	1,629	1,796	-9
Atlanta	582	633	-8
Minneapolis	210	208	+1
Kansas City	525	500	+5
Dallas	304	239	+27
Total	10,526	11,961	-12

FAILURES BY DIVISIONS OF INDUSTRY—NOVEMBER, 1939 AND 1938

(Current liabilities in thousands of dollars)

	Number			Liabilities		
	Nov. 1939	Oct. 1939	Nov. 1938	Nov. 1939	Oct. 1939	Nov. 1938
TOTAL UNITED STATES	886	916	984	11,877	16,140	12,302
MANUFACTURING (total)	190	175	196	4,177	6,659	4,434
Foods	49	40	44	1,214	1,472	703
Textiles	36	33	51	469	506	892
Forest Products	13	14	13	149	1,397	909
Paper, Printing and Publishing	12	16	15	93	421	333
Chemicals and Drugs	9	11	6	123	121	90
Fuels	4	3	—	72	111	—
Leather and Leather Products	9	6	10	68	292	92
Stone, Clay, Glass and Products	9	7	7	219	170	270
Iron and Steel	8	8	10	313	262	429
Machinery	7	11	12	213	1,455	162
Transportation Equipment	3	2	8	122	126	149
All Other	31	24	20	1,122	326	405
WHOLESALE TRADE (total)	97	100	99	1,955	3,121	1,484
Farm Products, Foods, Groceries	35	40	42	407	1,590	586
Clothing and Furnishings	7	5	8	40	55	157
Dry Goods and Textiles	4	3	3	63	22	17
Lumber, Building Materials, Hardware	9	10	5	486	240	56
Chemicals and Drugs	7	3	3	98	59	30
Fuels	2	—	3	34	—	83
Automotive Products	6	4	6	52	39	69
Supply Houses	8	6	8	34	300	67
All Other	19	38	21	741	816	419
RETAIL TRADE (total)	525	557	586	4,505	4,526	4,513
Foods	162	165	179	778	922	782
Farm Supplies, General Stores	10	29	28	79	170	229
General Merchandise	24	24	34	530	323	326
Apparel	109	84	120	915	512	868
Furniture, Household Furnishings	28	30	37	298	260	359
Lumber, Building Materials, Hardware	41	42	28	474	389	381
Automotive Products	38	51	55	345	449	601
Restaurants	45	62	46	501	687	386
Drugs	24	39	28	201	505	210
All Other	44	31	31	384	309	371
CONSTRUCTION (total)	46	46	55	746	1,095	713
General Contractors	11	11	5	330	512	34
Carpenters and Builders	7	12	11	64	247	199
Building Sub-contractors	25	22	35	344	186	345
Other Contractors	3	1	4	8	150	135
COMMERCIAL SERVICE (total)	28	29	48	494	739	1,158
Cleaners and Dyers, Tailors	8	7	10	63	89	72
Haulage, Buses, Taxis, etc.	8	8	5	159	168	266
Hotels	4	2	10	218	99	512
Laundries	2	3	4	30	39	164
Undertakers	1	1	5	4	9	44
All Other	5	8	14	20	335	100

Canadian Failures

Canadian failures which numbered 95 in November were lower than in October or in November a year ago. Liabilities to the amount of \$1,103,000 were under those recorded in October,

but higher than those in November 1938. Fewer failures were reported from all the nine Provinces, and decreases were noted in all main industry groups.

Note: In DUN'S STATISTICAL REVIEW there are published more detailed failure statistics by States, large cities, industrial divisions, and size of liabilities.

SIGNIFICANT BUSINESS INDICATORS

COMPILED BY THE STATISTICAL STAFF OF "DUN'S REVIEW"

More detailed figures appear in "DUN'S STATISTICAL REVIEW"

Building Permit Values—215 Cities

Geographical Groups:	November 1939	November 1938	Change P. Ct.	October 1939	Change P. Ct.
New England	\$8,298,361	\$4,575,646	+ 81.4	\$5,399,362	+ 53.7
Middle Atlantic	24,725,569	28,917,166	- 14.5	31,200,602	- 20.8
South Atlantic	11,180,268	7,907,781	+ 41.4	16,888,468	- 33.8
East Central	24,774,150	15,730,643	+ 57.5	22,873,632	+ 8.3
South Central	8,563,692	7,966,715	+ 7.5	18,803,196	- 54.5
West Central	5,449,663	6,155,447	- 11.5	5,825,291	- 6.5
Mountain	1,750,260	1,650,492	+ 6.1	2,179,471	- 19.7
Pacific	16,312,277	16,755,479	- 2.6	14,743,862	- 10.6
Total U. S.	\$101,054,240	\$89,659,369	+ 12.7	\$117,913,884	- 14.3
New York City	\$15,794,466	\$22,161,868	- 20.5	\$20,510,045	- 14.1
Outside N. Y. C.	\$85,259,774	\$67,497,501	+ 26.3	\$97,403,839	- 12.5

Bank Clearings—22 U. S. Cities

(Millions of dollars)

	Monthly			Daily Average		
	1939	1938	1937	1939	1938	1937
January	23,187	21,798	27,226	927.5	871.9	1,089.0
February	19,711	17,584	23,720	896.0	799.2	1,078.1
March	24,995	22,822	29,412	925.7	845.3	1,089.3
April	21,798	21,667	26,086	871.9	833.4	1,003.3
May	22,188	20,169	23,951	853.4	806.8	958.0
June	23,022	23,959	25,903	885.5	921.5	996.3
July	21,386	21,624	26,015	855.4	865.0	1,000.6
August	22,591	19,716	22,260	836.7	730.2	856.2
September	23,820	21,733	24,076	952.8	869.3	963.0
October	22,244	24,011	24,668	889.8	960.4	986.7
November	22,598	21,637	21,796	982.5	940.7	947.6
December	27,697	25,805	25,805	1,065.3	992.5	992.5
Total	264,417	300,918	300,918	875.8	906.7	906.7

Bank Clearings for Individual Cities (000 omitted)

	November 1939	November 1938	Change P. Ct.	October 1939
Boston	\$1,028,660	\$984,694	+ 4.5	\$1,012,796
Philadelphia	1,727,000	1,547,000	+ 11.6	1,704,000
Buffalo	150,024	128,531	+ 16.7	156,298
Pittsburgh	568,218	466,088	+ 21.9	554,805
Cleveland	484,113	390,728	+ 23.9	466,445
Cincinnati	273,814	232,902	+ 17.6	269,858
Baltimore	315,159	275,590	+ 14.4	337,148
Richmond	220,771	182,129	+ 21.2	201,191
Atlanta	271,400	240,600	+ 12.8	290,300
New Orleans	189,681	173,699	+ 9.2	199,415
Chicago	1,347,096	1,191,068	+ 13.1	1,350,564
Detroit	454,272	407,393	+ 11.5	458,071
St. Louis	413,617	356,283	+ 16.1	410,542
Louisville	153,616	142,278	+ 8.0	155,946
Minneapolis	310,752	272,384	+ 14.1	322,449
Kansas City	431,389	354,504	+ 21.7	437,514
Omaha	140,620	133,633	+ 5.2	142,453
Dallas	245,378	216,733	+ 13.2	262,318
San Francisco	651,655	602,436	+ 8.2	660,393
Portland, Ore.	138,168	123,366	+ 12.0	151,228
Seattle	160,834	143,583	+ 12.0	173,219
Total 21 Cities	\$9,676,237	\$8,565,622	+ 13.0	\$9,716,953
New York	\$12,921,695	\$13,071,421	- 1.1	\$12,526,801
Total 22 Cities	\$22,597,932	\$21,637,043	+ 4.4	\$22,243,754

Dun & Bradstreet Weekly Food Price Index

The index represents the sum total of the wholesale price per pound of 31 commodities in general use.

Weeks:	1939	1938	1937	1936
Dec. 26	\$2.33	\$2.35	\$2.56	\$2.94
Dec. 19	2.34	2.34	2.63	2.92
Dec. 12	2.32	2.38	2.65	2.91
Dec. 5	2.32	2.39	2.67	2.90
Nov. 28	2.35	2.41	2.69	2.90
Nov. 21	2.39	2.38	2.68	2.87
Nov. 14	2.42	2.39	2.73	2.83
Nov. 7	2.43	2.40	2.76	2.79

HIGH LOW

1939	\$2.46	Sept. 19	\$2.13	Aug. 15
1938	\$2.53	Jan. 4	\$2.34	May 10
1937	\$3.01	Mar. 16	\$2.56	Dec. 28

Dun & Bradstreet Daily Weighted Price Index 30 Basic Commodities (1930-1932 = 100)

	Dec.	Nov.	Oct.	Sept.
1	118.96	118.13	†	106.14
2	118.77	117.91	118.60	*
3	†	118.16	118.22	†
4	118.97	118.42	118.41	*
5	119.65	†	118.03	111.64
6	119.75	118.47	118.87	116.07
7	120.03	*	118.13	115.62
8	119.83	118.37	†	115.26
9	120.19	118.13	117.64	114.93
10	†	118.62	117.82	†
11	120.16	*	118.36	115.50
12	120.62	†	*	115.83
13	121.99	118.21	118.40	116.30
14	121.64	118.49	118.37	116.81
15	121.98	118.03	†	117.51
16	122.85	118.07	118.70	117.24
17	†	117.56	119.11	†
18	124.19	117.89	119.66	116.63
19	123.63	†	119.38	116.16
20	123.16	118.24	118.94	116.95
21	123.19	118.14	119.07	117.64
22	122.59	118.18	†	118.66
23	*	*	118.76	118.66
24	†	117.99	118.56	†
25	*	117.80	119.02	118.27
26	122.53	†	118.46	118.33
27	†	117.62	118.53	118.95
28	†	117.65	118.28	118.36
29	†	117.98	†	117.91
30	†	118.64	118.34	119.34
31	†	†	118.36	†

† Sunday. * Markets closed.

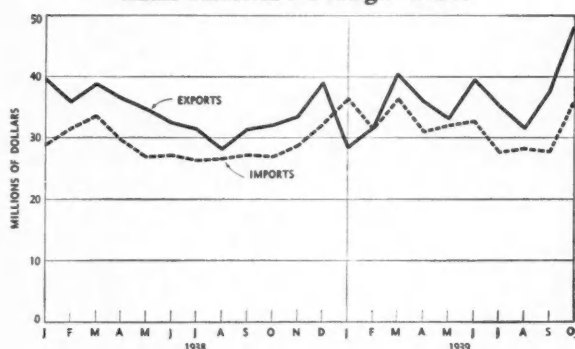
HIGH LOW

1939	124.19	Dec. 18	101.40	July 24
1938	117.06	Jan. 10	102.43	June 2
1937	158.26	Apr. 5	114.83	Dec. 30

THROUGH THE STATISTICIAN'S EYES

ODD AND INTERESTING ITEMS FROM THE MONTH'S RECORD

Latin America's Foreign Trade



TRADE OF THE UNITED STATES WITH LATIN AMERICA—1938 and 1939—U. S. Bureau of Foreign and Domestic Commerce—Export and import figures vacillated more month by month in 1939 than in 1938; both exports and imports rose sharply during October, 1939, although in the first month after the war began, only exports had increased.

THERE'S BEEN a lot of discussion about what effect the war in Europe, with its cutting off of German trade with Latin America, will have on Latin America's trade with other countries—the United States, for example. It has frequently been pointed out that there are two aspects to the problem of how much producers in this country will benefit from an increase in trade with the countries south of our border. One aspect has to do with our ability to supply Latin America with goods formerly purchased from Germany. Since the bulk of Latin America's imports from Germany have been products which are manufactured in large volume in the United States—such as machinery, motors, and rolling-mill products—it seems quite possible that we should be able to meet her demands.

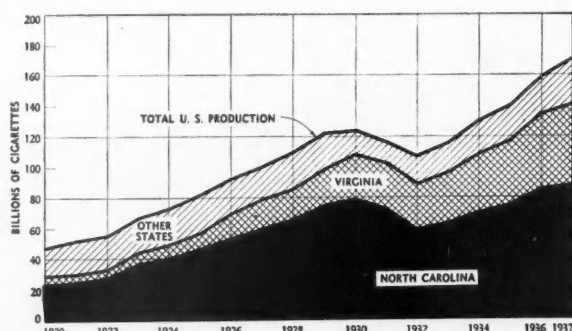
A more important question arises, apparently, in connection with Latin America's ability to pay for these goods. It is generally agreed that we must either increase our own imports from Latin America, or extend credit to them, or help to stimulate their exports to other countries.

This is the way that the talk has been going. The figures of the U. S. Bureau of Foreign and Domestic Commerce indicate that this country's exports to Mexico, Central America, and South America were 55 per cent higher in October than they had been in August, whereas our imports from Latin America increased 28 per cent between the same two months. The exports in October, at a value of \$48,500,000, were 51.6 per cent above last year, while imports, at \$35,900,000, were 33.5 per cent higher than a year ago. Total U. S. exports and imports were respectively, 32.3 and 22.2 per cent higher in October than in August.

In view of the amount of inquiry and speculation which has been connected recently with this topic, it seems worthwhile to consider the comparative importance of the German trade to Latin America. Of the total trade of twenty Latin American republics in 1937, 31 per cent of the exports went to the United States, 18 per cent to the United Kingdom, and only 9 per cent to Germany. The imports of these republics were divided in this manner: 34 per cent from the United States, 13 per cent from the United Kingdom, and 15 per cent from Germany. These figures represent values rather than quantities.

Where Cigarettes are Manufactured

THE LEADING STATES in the manufacture of cigarettes in 1937 were, in the order of their importance, North Carolina, Virginia, and Kentucky. It has not always been thus, according to annual reports of the Commissioner of



PRODUCTION OF CIGARETTES—1920-1937—Annual reports of the Commissioner of Internal Revenue—Total cigarette production increased greatly during the eighteen years, and North Carolina's output increased in about the same proportion; Virginia's percentage of the total, however, has expanded more than comparably in the period.

Internal Revenue. In 1920, for example, the order of States by the number of cigarettes produced was first North Carolina, then New York, and then Virginia. New York State produced almost 11 billion cigarettes in 1920, 23 per cent of the national total, but by 1937, the output of this State was negligible.

The growth of the cigarette industry in North Carolina has proceeded about apace with production in the nation as a whole. In 1920, North Carolina produced 24 billion cigarettes, 50.8 per cent of the U. S. total, and in 1937 the figure was 88 billion or 51.9 per cent. In both Virginia and Kentucky, however, and particularly in Virginia, the rate of growth in the eighteen years has been much more rapid. From 11.1 per cent of the nation's total in 1920, Virginia's output increased to 31.2 per cent in 1937. Ken-

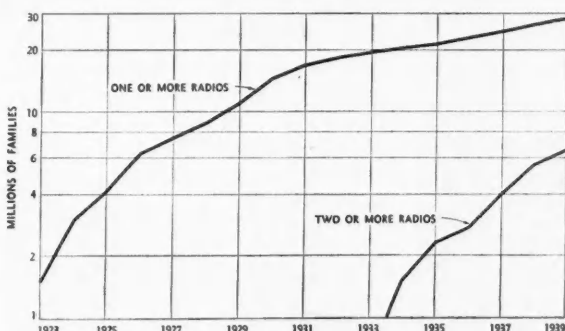
tucky's production, negligible up to 1929, increased more than four-fold in that year; by 1937, this State's contribution of cigarettes was still only 7.4 per cent of the national total, while North Carolina and Virginia combined accounted for 83.1 per cent. For the whole United States, production increased 258 per cent during this period, while the increases in North Carolina and Virginia were 266 per cent and 912 per cent, respectively.

Tobacco producing States are not ranked in the same order as those producing cigarettes, although here, too, North Carolina takes the lead. The next three most important States from this point of view are Kentucky, Tennessee, and Virginia.

Trends in Radio

AFTER such a phenomenal growth in such a few years, it is particularly necessary for an industry such as radio to evaluate its present status and its future possibilities. The problem was undertaken by Mr. Julius Weinberger of the Institute of Radio Engineers. According to the figures used by him, there were 70 times as many broadcast receivers produced in 1938 as in 1922. Of the 7,100,000 radios produced in 1938, 5,550,000 were sold in this country for family use, 300,000 were sold for other than family use (that is, for stores, restaurants, churches, schools, clubs, etc.), 800,000 were sold as automobile equipment, and 450,000 were exported.

The various markets for radios of different types have altered considerably since 1922. Until 1924, initial equipment for the home absorbed the entire annual production. A small amount of replacement demand began to be felt in that year, and by 1930, replacement sales equalled one-third of the total. Not until 1931 was there a notable demand for more than one radio per family, but the growth of ownership of these secondary receivers has been quite steep since that time, increasing more than 4,000 per cent in seven years. By 1936, initial equipment "home" sales accounted for 19.8 per cent of total sales; replacement

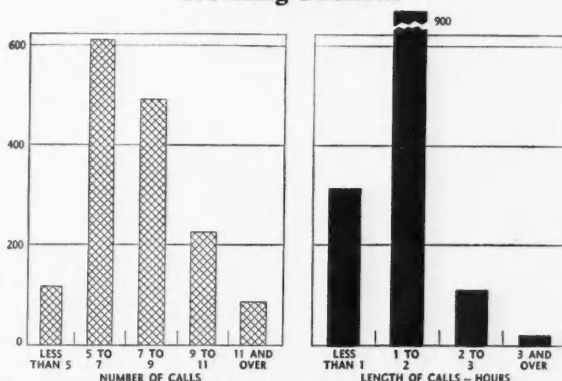


GROWTH OF RADIO OWNERSHIP BY NUMBER OF FAMILIES—1923-1939—Institute of Radio Engineers—The number of new owners of radio receiving sets now seems to be increasing at a much slower rate than during the earlier years of the industry; a more rapid rate of increase is occurring in sales of secondary sets to families already owning one receiver.

"home" sales, 30.3 per cent; secondary receivers, 15.7 per cent; sales for other than family use, 7.8 per cent; automobile receivers, 17.2 per cent; and exports, 8.1 per cent.

Projection of the trends in sales in the various markets, according to the Gompertz curves fitted by Mr. Weinberger, indicates that a further large increase in the demand for primary home radio sets is unlikely, whereas emphasis will tend to be placed in the future on secondary (generally small-type) and automobile models. Probably because of the lack of evidence as yet, no attempt was made to estimate the future extent of portable radio and television markets.

Travelling Salesmen



DISTRIBUTION OF WHOLESALERS' SALESMEN BY NUMBER AND LENGTH OF CALLS—"Hardware Age"—Half of the salesmen on whom reports were received made less than eight calls per day; the vast majority of all calls made were less than two hours in duration, mostly between one and two hours.

SOME LIGHT is thrown on the subject of how much time wholesalers' salesmen spend with hardware dealers in a survey conducted by "Hardware Age." Data was obtained from 100 wholesale houses throughout the United States on the number of travelling salesmen employed by each house, the number of calls made per day per salesman, the length of the average call, the frequency of personal appearances by the salesmen at company headquarters, the number of days a week on which salesmen make calls, and the number of houses which require salesmen to make reports on calls made.

The average number of calls per day for 1,422 salesmen employed by 93 companies was 7.6, although the number varied from 3 to 30. Salesmen in 87 of the houses, numbering 1,349, reported an average call of 1 hour and 15 minutes—here the variation was from 25 minutes to 4 hours.

Calls were made, according to the survey, five days a week by salesmen of 55 of the houses, five and one-half days a week by 15 companies, and six days a week by the other 22 firms. Each customer or prospect receives a visit on the average of once in 12 days.

HERE *and* THERE in BUSINESS

WHAT'S NEW AS OBSERVED BY THE AGENCY'S REPORTERS

Stoking—Sometimes doing things backwards is more profitable. New automatic stokers ordered for forty Baltimore & Ohio and twelve Alton Railroad locomotives will feed coal from the front end of the firebox, opposite the doors where shovels first tossed it in.

Front-end feed, B. & O. tests indicate, reduces the loss of unburned coal through the smokestack by as much as 50 per cent. (Cheers from housewives washing curtains along the right of way.) It enables 15.5 per cent more evaporation of water per pound of coal consumed and shows a 15.9 per cent saving on coal. The front-end stokers are being built by the Standard Stoker Company, New York.

Tires—Two-faced is the word for the B. F. Goodrich Company's new tire product. Perhaps their engineers were rereading that schoolboy classic about the crossroads statue which carried a shield, silver on one side, gold on the other, for that's the basic idea of their new white wall tire. One sidewall is white. The other is black.

From the Akron, Ohio, maker comes word that the new design allows a lower price. Goodrich anticipates

making the black and white combination available even in tires below their first line.

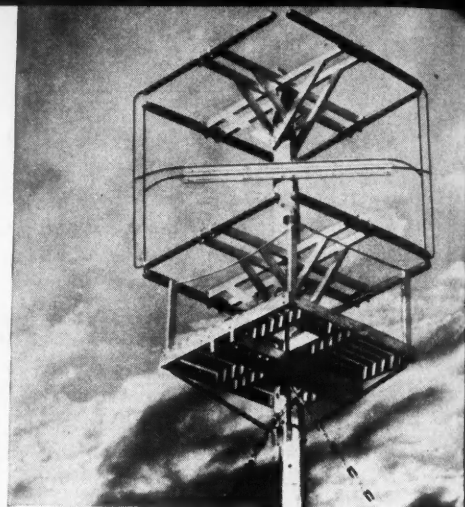
Spinning—Thanks to rapid construction, the du Pont nylon plant, Seaford, Del., began spinning its artificial better-than-silk several weeks ahead of schedule—which is news to make a generation of hard-boiled silkworms turn over in their cocoons.

The new factory is the first of its kind ever built, designed to perform an operation never before undertaken. Full production is expected to reach 4,000,000 pounds of yarn a year, about 10 per cent of the estimated consumption of silk used in hosiery.

Nylon differs from rayon in being a closer approach to silk. It is more elastic than silk.

Improvement—Since moving its fuel pump and injector manufacturing divisions into a new one-story, rigid frame building, the Cummins Engine Company, Columbus, Ind., reports a 25 per cent decrease in the number rejected by its testing department. Pumps and injectors are assembled in a sealed room, where all air-intake is filtered to insure cleanliness. A glass-enclosed

VISIBILITY—An addition to the Cummins Engine Company, Columbus, Ind., possesses unusual daylight working conditions due to a rigid-frame construction that eliminates shadow-producing cross braces. Welded, "tree-form" columns support saw-tooth roof.



CHAIN TELEVISION—Through this cubical antenna in the Helderberg Mountains, General Electric hopes to relay television programs from New York City to Albany.

room with a ventilator hood extending up through the roof accommodates the plating work.

The roof of the building is supported by welded columns which rise with the walls and angle across against the saw-tooth shaped roof. Thus there are no cross trusses to cast shadows. The plant was designed and built by the Austin Company, Cleveland, Ohio.

In Clover—As if being a consumer anxious to make a purchase isn't enough of a picnic, out in the Middle West a grocery management co-operative treats customers of its retail stores to real picnics. The company is Clover Farm Stores Corporation, Cleveland, Ohio. The outings are arranged by its wholesale agencies.

The Krenning-Schlapp Grocer Company, St. Louis, Mo., held the first Clover Farm picnic in July, 1929. Last year about fifteen wholesale divisions sponsored them, offering such attractions as eats, merry-go-round rides, contests, and drawings for free prizes. How happy a life to be a consumer!

Library—If you operate a company library, how long a book will last is important. How many times would you guess a new book in the original binding could be borrowed before it falls apart?

The Public Library of the City of Boston has figures on 400 new books. Copies were borrowed an average of six times before rebinding.

How long does a book circulate after rebinding? The Boston Library says: Forty or more times to outside borrowers. The New York Public

Library says: As often as 160 times; depending on whether it's taken home, and in what section of the city it's used. Both binderies agree that a book often holds together even after 40 to 160 readings; but pages are so dirty and feathered no one would touch them.

The day our reporter dropped in at the New York Public Library Bindery they were expecting some copies for a first rebinding since 1913. They also had a first rebinding on calfskin volumes dated 1787 and 1805. In the pile of finished work was a rebaked book by Professor Alexander Hamilton, of the University of Edinburgh. For the benefit of doctors who practised in 1790, Professor Hamilton is explaining "The Art of Midwifery." As he hasn't a very large audience, the bindery doesn't expect to see his book again for another 500 years.

Labelling—Facts consumers, retailers, and manufacturers feel should appear on labels for twelve types of home merchandise have been compiled in a survey by the National Consumer-Retailer Council, New York. The material is available from the Consumer Standards Project, Agricultural Adjustment Administration, U. S. Department of Agriculture, Washington, D. C., under the title "A Study of Informative Labelling."

Survey tabulations show that at least 51 per cent of the consumers graded every suggestion, regardless of its technical wording, as "desirable." A better idea of how these suggestions were

HEAT—Electrical induction heat treating machine for inner diameters; Budd Induction Heating, Inc., Philadelphia, Pa.



100 Million American Shareholders As Radio Enters 1940

MORE than 44 million radio sets are owned by some 30 million American families. These families—more than 100 million people—are therefore shareholders in a great American enterprise. No other nation approaches these figures. Never before has the importance of the American system of radio been so evident. News must be winnowed from propaganda, fact separated from claims. Our own forthcoming presidential campaign raises further need for radio reporting that is fair and unbiased.

Through great music, famous artists and distinguished organizations, radio provides the world's outstanding programs. The poorest man gets free what the richest

man could not afford to buy.

RCA, through the National Broadcasting Company, will continue in 1940 to maintain and improve American standards of broadcasting.

But the activities of RCA extend far beyond radio broadcasting. RCA provides swift message service to all parts of the world, and to ships on the seven seas. In the RCA Laboratories research constantly develops new services for radio. Thus in 1939 RCA made television a reality; in 1940 it will extend it further. RCA services also include activities in every other phase of radio. In all of these, the aim of RCA is to provide the maximum service for the minimum cost to the public.

These are the Services of RCA

RCA MANUFACTURING COMPANY, INC.

Builders of RCA Victor Radio sets, RCA Victrolas, RCA Radio Tubes, radio equipment for broadcasting, transmission and many other radio services.

RADIOMARINE CORPORATION OF AMERICA

Manufacturers of radio safety devices for protecting lives and property at sea. Swift message service to and from ships.

NATIONAL BROADCASTING COMPANY

Operating the great Red and Blue Networks, and providing distinguished entertainment, including the famous NBC Symphony Orchestra.

RCA INSTITUTES, INC.

A school offering technical courses in every phase of radio and television.

R. C. A. COMMUNICATIONS, INC.

Radio message service to and from 43 foreign countries, and among principal cities in the United States.

RCA LABORATORIES—Continuous research in every field of radio.



Radio Corporation of America

RADIO CITY, NEW YORK

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This should interest you

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IF YOU CAN PAY BACK
\$6.41 A MONTH

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 par, probably find that you
 must sometimes borrow in
 emergencies. If you
 No credit question as to
 of financial situation. You get
 the money you need promptly
 and privately.
 employees! Household
 shows the borrower every
 consideration. Last year
 Household provided over
 one million dollars

You have probably seen the above advertisement in your local newspaper. It was *not* written for you although occasionally an executive *does* borrow at Household. You can easily get bank credit when you need a loan to meet an emergency. But it is not so easy for the wage-earner. When the clerk or shop worker in your plant needs extra funds—to pay for a long illness or serious accident, for instance—he has to borrow elsewhere.

But where? From your company? It's probably against company policy. From a bank? Banks usually require security he doesn't own or co-signers he can't readily get. From his friends? Friends need all they make for their own expenses.

Where wage-earners can borrow

It is Household Finance's job to provide cash credit to wage-earners. At Household the responsible worker can borrow on his character and earning ability and repay in small monthly installments. Thus he gets cash in a lump sum for the emergency and a repayment schedule permitting him to clear up his indebtedness without sacrifice of living standards. Last year this plan helped over 600,000 men and women to get medical and dental service, make repairs, keep insurance in force, pay taxes—solve money problems of many kinds. The table below shows typical loans and repayment schedules.

AMOUNT OF CASH LOAN	AMOUNT PAID BACK EACH MONTH Including All Charges				
	2 mos. loan	6 mos. loan	12 mos. loan	16 mos. loan	20 mos. loan
\$ 20	\$ 10.38	\$ 3.63	\$ 1.95		
50	25.94	9.08	4.87		
100	51.88	18.15	9.75	\$ 7.66	\$ 6.41
150	77.82	27.23	14.62	11.49	9.62
200	103.77	36.31	19.50	15.32	12.83
250	129.71	45.39	24.37	19.15	16.04
300	155.65	54.46	29.25	22.98	19.24

Above payments figured at 2½% per month and based on prompt payment are in effect in New York and nine other states. Due to local conditions, rates elsewhere vary slightly.

To help families avoid unnecessary debt Household is conducting an educational program in money management and better buymanship. Borrowers learn how to save on daily purchases and get more out of limited incomes. The booklets used in this work have been adopted as texts in hundreds of schools and colleges.

Wouldn't you like to know more about this service for your employees? The coupon will bring you the story without obligation.

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 Address.....
 City..... State.....

rated may be drawn from subsequent tables which show what per cent of the voters termed each fact "most important," "desirable," "unnecessary," or "awaiting agreement on standard test."

Statistical results from purchasers, sellers, and manufacturers are trailed by quotations. These include some from consumers who criticized too-informative labels and others from manufacturers who spoke for more informative labels.

Linoleum—A patented, inlaid linoleum tile to cover floor areas which are in direct contact with the ground was announced recently by Congoleum-Nairn, Inc., Kearny, N. J. An essential for holding down the tile is said to be the firm's "damp-proof" cement.

"Damp-proof" linoleum tile and cement are intended for service in cellar playrooms and other on-ground or below-ground installations where traffic will not be unusually heavy. To protect it from floor moisture, the tile has a three-layer construction. The layers are water and alkali-resistant membranes, separated by an asphalt-saturated felt foundation which is water and rot resistant. Tiles have an adhesive back to which the cement holds.

Detour—Evidently there was a practical idea as well as humor in various cartoons of several years ago, showing harassed families in airplanes, bumping through cloud banks marked "Detour." Transcontinental & Western Air, Inc., with government approval, will use several alternative air routes, comfortable detours if a storm blows up on the regular TWA highway.

Cinema—Hereafter, when investment advisers for New York Curb Exchange firms discuss a security, many of them will display a detailed knowledge of the company operations, in addition to the customary analysis of annual yield. They will know what the plant looks like; what it makes; how it makes it; and how important making it is to labor, the tax collector, and the housewife, as well as to the stockholder. They'll know what special features make its products shine.

Not that anyone expects investment advisers to become industrial experts all in a breath. But as part of a public

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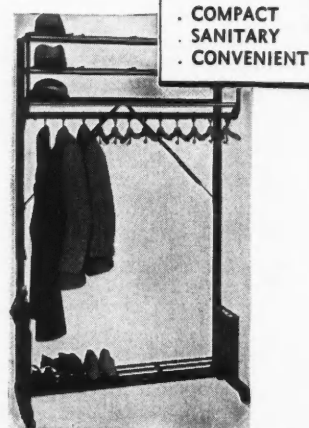
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 1811 N. Wilcox Ave. Chicago, U.S.A.

relations program of the Curb Exchange, staffs of member houses are viewing industrial motion pictures produced by companies with Curb listing.

Chain Store—Since October 21, the F. W. Woolworth Company has been distributing a 48-page booklet telling the good points about having a Woolworth chain store in any town. Since copies have been available free from any of its local stores, company heads have been happy to get reports that not one has been found on store floors. Advertising agency Lord & Thomas prepared the booklet, which hides page after page of color plates under the restrained title of "60 Years of Woolworth."

Some of the information Woolworth hopes readers assimilated: That 2,000 stores carry an average stock of 4,613 items each. That, whenever possible, these are purchased from American makers, from whom no exclusive services or special concessions are sought. That when a store moves in, it increases local tax income, land values, employment, construction.

Although 2,000,000 copies of the booklet were printed, distribution has been selective, to stockholders; to local libraries, colleges, and club leaders by personal calls of store managers; and by subdued window displays.

TRIMMER—For next Summer Stanley Electric Tools, New Britain, Conn., have prepared the "Grasshear," a tool for trimming grass edges. Suction from the cutters pulls the grass into their path.



To get Working Capital



I RECOMMEND WE INVESTIGATE Field Warehousing *by* Douglas-Guardian

An editor who gets out into the field talking with bankers and heads of businesses, reports that he finds companies in almost every community who need money, own inventory, but do not know of the favorable terms on which money can be obtained by borrowing on *Field Warehoused Collateral*.

To cite two instances: In one city a large paper house owning a heavy inventory of paper needed money, but did not realize it had *gilt-edged collateral* for a bank loan through Field Warehousing.

In a near-by city a candy manufacturer, with a heavy inventory of sugar was also directed to a similar solution of his problem. These manufacturers quickly secured needed money; the bankers in each case made an attractive loan.

If you need capital, investigate Field Warehousing by Douglas-Guardian as the medium for getting it on a most favorable basis.

"17 YEARS' EXPERIENCE"

The key men of Douglas-Guardian have had over 17 years' rendering the specialized service of Field Warehousing. We are working with hundreds of the country's leading bankers. Thousands of customers in a large variety of industries use our services. Through our 15 offices we render a nation-wide service. We go anywhere for business. Glad to answer your questions or discuss details.



GLAD TO MAIL YOU THIS BOOKLET FREE

Gives comprehensive information about Field Warehousing in general, and Douglas-Guardian Service in particular. You'll profit by reading it, and it ought to be in your file for reference.

DOUGLAS-GUARDIAN WAREHOUSE CORPORATION

Nation-wide Field Warehousing Service

100 W. Monroe St., Chicago, Ill.

118 N. Front St., New Orleans, La.

New York, N. Y.

Rochester, N. Y.

Easton, Md.

Tampa, Fla.

Portland, Ore.

Springfield, Mo.

Dallas, Tex.

Atlanta, Ga.

San Francisco, Cal.

Los Angeles, Cal.

Memphis, Tenn.

Cleveland, Ohio

Cincinnati, Ohio

Santa Fe *this winter
for
Phoenix
Palm Springs
and
So. California*

indications are for a great season at the winter ranches and resorts in the Far Southwest, sunniest area in all these United States . . .

This winter, then, on Santa Fe's famous streamlined Chief, there'll be daily through Pullman service from Chicago to Phoenix, Wickenburg, and Castle Hot Springs, Arizona, and the sunny places roundabout . . .

There'll be superb daily Santa Fe service, too, for Palm Springs, new Arrowhead Spa, and other delightful California spots.

It will be wise to make your Southwestern winter reservations early.

For details consult any travel office, or write:
T. B. Gallaher, P. T. M., Santa Fe System Lines
1343 Railway Exchange, Chicago



Experimental—Materials in the building industry may have another competitor, if experiments with patented wall blocks of plastic prove successful. One foot square, the units are designed for mass production. They form inner and outer "curtain walls," being nailed to a wooden framework through side flanges and caulked at the edges.

Alden Dow, an architect whose father founded The Dow Chemical Company, Midland, Mich., designed the blocks. They're made of Dow plastics, although their design has no connection with the company.

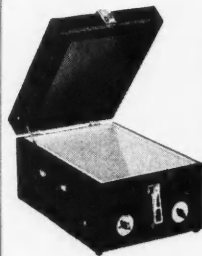
Blackout—War slang words, such as "dugout," became a part of the English language after 1918, so there's a precedent for wondering if "blackout" will achieve similar recognition in future years. If the old stage and vaudeville term does get into Webster's under its new meaning, an American shade manufacturer, Higgin Products, Inc., Newport, Ky., should feel quite fortunate.

Higgin sells light-tight shades. They're used in auditoriums, photographers' dark rooms, doctors' offices, and hospitals. The company began calling them "blackout" shades months ago. Although other manufacturers also make light-tight shades, Higgin hopes the word blackout will help identify its products.

Perfume—When readers of the daily *Indianapolis Star* opened their newspapers one day this Winter, to their tickled nostrils drifted a scent of perfume. It rose from a half-page perfume advertisement of Charles Mayer & Company, 99-year old china, silverware, jewelry, gift, and specialty shop whose pride it is to have been the first store established in the State.

The perfumed ad was proposed by the newspaper's advertising department and worked out in co-operation with the store's advertising department. Although ads printed in perfumed ink have appeared before, according to the store's advertising manager, this is the first time one was tried by a daily newspaper. Two pounds of essence and oils were mixed with twelve pounds of ink. This printed 132,000 papers; and left a two-pound surplus of perfumed ink to caress the pressmen's nostrils.

Your Own Copies Made in 1 Min.!



Save time, money. No mechanism to get out of order. Anyone can operate it. Copies letters, legal documents, ledger sheets, photos, illustrations, maps, blueprints, etc., etc. Circular on request.

PHOTO RECORD CORP.
111 Liberty St., New York City

Orchids

"Please present our compliments to the editor of DUN'S REVIEW which is the most valuable of all trade and commercial journals that reach our office and the only one that we preserve and will have bound for each year. . . ."

Letter from president-reader.

CONTROL YOUR COLLECTIONS

...increase your net profits

Bank of America's non-notification plan for financing open accounts receivable provides flexible working capital at a profit to the manufacturer, jobber, and wholesaler, who is not discounting his payables. The plan enables you to speed up your business and get full proceeds in cash immediately after shipping and invoicing your orders.

Details may be obtained at any branch of Bank of America.
495 branches in California.

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NATIONAL TRUST ASSOCIATION

Member Federal Deposit Insurance Corporation
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Main Offices in Two Reserve Cities of California
San Francisco Los Angeles

OVER THE EDITOR'S DESK

THE basic data for the report on births and deaths of retail stores in Indiana (pages 23-28) were successive editions of DUN & BRADSTREET, INC., Reference Books for the 1929-1937 period. The report in greater detail is appearing as one of the studies of the Indiana University Bureau of Business Research, of which G. W. Starr and G. A. Steiner are respectively director and assistant director.

At Indiana University, in addition to his duties as director of the bureau, Mr. Starr is professor of transportation and public utilities. Mr. Steiner is assistant professor of finance.

PRECEDED by articles in the March, May, and September numbers this year, "Profits and Dividends: Big Business vs. Small" is the fourth of a series analyzing the extent of concentration in American industry.

Before coming to DUN & BRADSTREET Mr. George was for many years in the United States Department of Commerce and following that, executive secretary of NRA. Mr. Tebeau was formerly with the New York Stock Exchange.

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More detailed breakdowns of those statistical data originally compiled by the publishers—business failures, bank clearings, building permits, and price indexes which are summarized and interpreted each month in DUN'S REVIEW (see pages 38-41)—are published monthly in DUN'S STATISTICAL REVIEW, tables only, no text, \$1 a year; \$2 outside the United States.

JANUARY 1940

GOOD BUSINESS NEWS

**Open Account Financing
Scores Double Success**

**Slow-pay Customer Takes Tip
From Creditor--Business
and Credit Now A1**

TO put reverse English on the old proverb, "one man's meat can be nourishing diet for the other fellow, too."

The Brown Corporation* was a regular user of our service. It gave their company money-power far in excess of what its regular connections had provided. Brown had been selling considerable merchandise to Black & Company,* getting cash advances on shipment from us and clearing them off the slate as Black's checks came in. But gradually, Black began taking longer time to pay.

Since he had long been a good customer of Brown's, we frequently permitted an extension of time, but advised a frank talk to see where things were heading. They quickly found the reason. His regular bank credit wasn't enough to finance the volume of sales Black needed. His working capital was continually frozen in receivables. First he had to pass up discounts on his payables. Next, he was passing due dates.

Brown explained our service . . . told how it was helping him. He urged Black to consult us. We were called in. We negotiated an arrangement, effective immediately . . . without red tape or delay.

Then Black's business curve started up again. In little more than a year, he had improved his credit rating to A1. By the end of 1938, his net worth was nearly \$200,000 greater, a healthy increase of nearly 30%.

★ ★ ★ ★

Which would be better for your business—a borrowing capacity set by routine consideration of your capital investment and an audit of your present condition? Or, a flexible financing system that looks ahead and provides liquid cash for financing new sales as fast as you can make them? Write "Dept.D.R." for our free booklet "CAPITAL AT WORK".

**A fictitious name, but the facts and figures, taken from our records, can be certified.*

COMMERCIAL CREDIT COMPANY

"Non-Notification" Open Account Financing

BALTIMORE

BOSTON NEW YORK CHICAGO SAN FRANCISCO PORTLAND, ORE.

CAPITAL AND SURPLUS MORE THAN \$65,000,000



GUSTAV ANDERSON FROM EWING GALLOWAY

In Looking Ahead

*T*HE student was asked, "What is the purpose of a commercial bank?" The textbook answer was, "Discount, deposit, and issue," but the student replied, "To earn profits for the stockholders." The real answer would be much longer than either of these.

In starting the New Year, it is worthwhile to go back to the fundamental question, "What is the purpose of your business?" If you can answer that clearly, then New Year's resolutions are not difficult to make.

Willard L. Thorp.
E D I T O R

